

CEO'S MESSAGE

2002 represents the third consecutive year of strong operating results at Methanex. Over the past three years we have generated total income before unusual items of \$340 million and cash flow from operations of \$760 million. Return on equity averaged close to 12 percent for the period, and our shareholders saw an increase of 250 percent in the market value of our shares. To add perspective to these results, the S&P Chemical Index experienced negative performance over the same period.

METHANEX 2002 ANNUAL REPORT

1990
SOMA 3000 3200 3400

CEO'S MESSAGE

2002 represents the third consecutive year of strong operating results at Methanex. Over the past three years we have generated total income before unusual items of \$340 million and cash flow from operations of \$760 million. Return on equity averaged close to 12 percent for the period, and our shareholders saw an increase of 250 percent in the market value of our shares. To add perspective to these results, the S&P Chemical Index experienced negative performance over the same period.

We have also delivered on our commitment to return excess cash to our shareholders. In the past three years we repurchased 30 percent of our shares at a cost of \$305 million, an excellent investment. We also instituted a regular quarterly dividend of \$0.05 per share. We closed 2002 with outstanding liquidity, represented by \$421 million of cash on hand and available bank lines of \$291 million. Based on this financial strength, we paid, for the first time, a special dividend of \$0.25 per share in early 2003.

Our strategy has been very clear and consistent – we focus on low cost, global positioning and operational excellence. This continued clarity of focus enables us to extract maximum value from a very dynamic global methanol business.

We are looking forward to the next few years, because we believe that the favourable supply and demand balance for the methanol industry will continue to yield good financial results for Methanex.

EXTRACTING VALUE FROM OUR CORE BUSINESS

This was another year of dramatic change for the methanol industry. Early in the year, methanol prices were influenced by the global economic malaise that followed the events of September 11, 2001. As we entered the second quarter of 2002, however, planned and unplanned plant outages throughout the industry combined with some recovery in demand resulted in low inventory levels, tight market conditions and higher methanol prices. In this environment, our realized prices moved from a low of \$109 per tonne in February to a high of \$191 per tonne in December, and cash flow improved correspondingly throughout the year.

Net income for the year was \$112 million before unusual items. Cash flows from operating activities before changes in non-cash working capital were \$245 million and we closed the year with cash balances in excess of \$400 million.

FOCUSING ON LOW COST

We have a relentless drive to lower our cost structure. Our focus is in two major areas. One is to identify opportunities for continuous improvement in our existing operations. The other is to add new production facilities in selected locations that will lead to sustainable top quartile delivered cash cost performance and ensure that we maintain our leading global position as a marketer of methanol. In 2002, we made substantial progress on both fronts.

There were three noteworthy achievements in our operations. We have taken steps to reduce our annual logistics costs by optimizing rotation of vessels, reducing time in ports and improving lease rates for our time-chartered vessels. We believe that this will result in a sustainable \$25 million annual cost savings. We have implemented plans to extend the catalyst replacement and turnaround cycles for our major manufacturing facilities, resulting in a savings of \$30 million over the eight-year capital plan period. We have also successfully extended our gas contracts to supply our existing plants in Chile. As a result, we have locked in the attractive cost structure of our Chilean site and ensured dedicated gas reserves out as far as 2029.

We have also made substantial progress in developing new production facilities. In Trinidad, construction of the 1.7 million tonne Atlas facility is well underway with expected completion in early 2004. We will own 63.1 percent of this plant with BP owning the remainder. We are also examining the merits of increasing our interest in the existing 850,000 tonne Titan methanol plant adjacent to Atlas in Trinidad. We view Trinidad as an excellent location for serving our European and North American customers. At our Chilean hub, we are constructing a fourth train that will add 840,000 tonnes of annual capacity at a total capital cost of approximately \$275 million. We expect to have product available from this new plant in the first quarter of 2005. With Atlas constructed and the Chilean expansion completed, these two hubs will represent 6.4 million tonnes of low cost capacity.

In view of the recent reduction in the contracted gas for our New Zealand facilities and the uncertainty over our ability to acquire additional gas, we need new production to underpin our position in the growing Asian markets and we are developing options to meet this need.

Each one of these investments would dramatically improve our cost base and significantly improve our cash generation capability.

IMPROVING OUR GLOBAL MARKET POSITION

We are the world's leading manufacturer and marketer of methanol. Our sales of 7.2 million tonnes during the year represented about one quarter of the global market. These sales are well distributed, with 41 percent going to the Americas, 32 percent to Asia and 27 percent to Europe.

In 2002, we made progress in a number of areas that will enhance our leadership position.

We initiated new pricing practices on a global basis to bring transparency of pricing to our industry. This posted pricing mechanism appears to have facilitated and improved the process of price settlements in many geographies.

We have continued to improve our presence in Asia by establishing offices in the key markets of China and Japan.

We continue to position our company as the supplier of choice for those large global methanol consumers who are facing make-or-buy decisions. We concluded an exclusive multi-year supply agreement with Lyondell Chemical, one of the world's largest consumers of methanol. In addition, we gained production rights for 2004 to Lyondell's 750,000 tonne per year methanol facility in Texas.

CONTINUING TO ACHIEVE OPERATIONAL EXCELLENCE

Operational excellence differentiates us, and makes us a leader in our business.

For instance, in 2002 we operated our plants at 96 percent of capacity. This is clearly leading the pack in an industry that has not exceeded 85 percent on an annual basis over the past fifteen years. It is also an important value proposition to customers who are seeking reliability and security of supply.

In the Responsible Care area, our employees have again delivered record performance in terms of minimizing lost-time incidents and recordable injury frequency. There were no lost-time incidents among employees in 2002.

As an organization, we are always focused on developing our management practices and the skills and potential of our people. We are proud of the fact that we have grown our global presence since 1994 while keeping our permanent headcount below 900 people. We have done this by continuously upgrading our people leadership skills, operating an effective performance management system and giving people broad freedom to act within a clear strategic and values framework. In 2002, we were recognized in Chile as having the best human resources practices in the country, and some of our employees have received external acknowledgement of their leadership excellence.

MAINTAINING FINANCIAL FLEXIBILITY

A hallmark of our company over the past eight years has been financial prudence and financial flexibility. We have maintained a conservative balance sheet, with cash balances that have always exceeded \$150 million. While we realize that this approach may have increased our cost of capital, we believe that this has been a prudent way to operate our business in a highly cyclical environment and at a time when we have yet to achieve our ultimate cost goals. In addition, our strong financial position has allowed us to capitalize on industry restructuring opportunities at the bottom of the cycle.

While financial prudence will always be a priority, we will move towards a more efficient balance sheet as our cost base improves over the next four years. We made important progress in this area in 2002. In June, we completed the issuance of \$200 million senior notes due in 2012 and repaid the \$150 million notes due August 2002. We also successfully amended the covenants on the existing 2005 notes to allow us to pay a regular dividend to our shareholders, regardless of the prevailing level of shareholders' equity.

In addition, we completed limited-recourse project financing for the Atlas facility currently under construction in Trinidad. The leverage of this project is approximately 60 percent.

The combination of our current liquidity, the short-term prospects for our business and the financings concluded in 2002 puts us in an excellent position to pursue our strategic objectives. It also means that under our current outlook, we have the potential to generate significant excess cash flow and, consistent with our track record, we intend to return that excess cash to our shareholders.

FACING OUR CHALLENGES

As we enter 2003, with a decade of strong growth behind us, we face two key challenges.

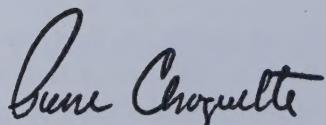
The supply of natural gas to our New Zealand assets is a critical issue. In 2002, our plants in New Zealand produced over 2.2 million tonnes, an approximate match for our important market position in Asia Pacific. While we have always anticipated reduced gas availability over the next few years, an independent expert's final determination of the economically recoverable natural gas reserves from the Maui field offshore New Zealand has hastened the reduction. The report findings mean that we lose substantially all of our remaining contractual entitlements from the Maui field, and as a result, expect to produce approximately one million tonnes of methanol at our New Zealand plants in 2003. We intend to capitalize on the flexibility of our global supply chain to service our customers in Asia Pacific in 2003. In 2004 and 2005, our increased production capacity in Trinidad and Chile will meet this challenge. Longer term, we need to find a permanent solution to underpin our strategic Asia Pacific market position.

MTBE, an important methanol derivative, continues to face an uncertain future in the United States. We have worked diligently with other industry participants to bring out the facts about this important fuel additive. Some progress has been made and broad-based legislation to ban the product has been avoided so far. We will continue to be relentless in promoting the merits of MTBE and help keep this product in commerce.

LOOKING FORWARD

In spite of the challenges, we are very optimistic about our future prospects. All of our market intelligence leads us to conclude that we will continue to benefit from this well-balanced market. And this should lead to a strong pricing environment for our commodity. As I mentioned a year ago, we believe that our current plan will continue to generate substantial free cash flow and we are committed to build on our track record of returning excess cash to our shareholders.

Our focus is clear: it is the methanol business. Our plan is clear: it is a strategy of low cost, global positioning and operational excellence. We will not deviate from our core business. And, as our strategy yields excess cash flows, we are committed to rewarding our shareholders.



Pierre Choquette
President and Chief Executive Officer
March 7, 2003

METHANEX BOARD OF DIRECTORS



front row

Jeffrey Lipton
Pierre Choquette
Graham Sweeney
R.J. (Jack) Lawrence
Anne Wexler
Christopher Pappas
Robert Findlay
A. Terence Poole
Brian Gregson
David Morton

middle row

back row

01	CEO's Message to Investors
09	2002 Financial Highlights
10	2002 Corporate Events Review
11	Our Business
23	Our Product
35	Responsible Care
38	Corporate Governance
41	Management's Discussion and Analysis (MD&A)
57	Consolidated Financial Statements
	Our Facts – 2002 Methanex Factbook

The Company's Annual Information Form and other publicly filed documents can be found on the SEDAR web site at www.sedar.com. SEDAR is the electronic document retrieval system of the Canadian Securities Administrators. This information has also been filed on EDGAR.

This document contains forward-looking statements. These are statements involving uncertainties and risks that may cause the stated outcome to differ materially from the actual outcome. Consequently, readers are cautioned not to place undue reliance on forward-looking statements. For more information on forward-looking statements, including important factors that can cause anticipated outcomes to differ materially from actual outcomes, we refer you to page 40 of this report.

Except where otherwise noted, all dollar amounts in this report are stated in United States dollars.

2002 FINANCIAL HIGHLIGHTS

(thousands \$US)	2002	2001	Sales Volume and Production (thousands of tonnes)
Revenue	1,008,792	1,148,965	Sales ■ Prod □
Cost of sales and operating expenses	(739,156)	(910,601)	1993 3,010 2,270
Depreciation and amortization	(111,289)	(113,719)	1994 4,874 3,622
Interest expense	(28,972)	(31,848)	1995 5,321 4,006
Interest and other income	10,365	19,028	1996 6,137 4,455
Unusual items ¹	(88,415)	(11,060)	1997 6,903 5,092
Income tax expense	(24,911)	(29,347)	1998 6,011 4,690
NET INCOME	26,414	71,418	1999 6,593 5,343
Add (deduct):			2000 6,771 6,007
Depreciation and amortization	111,289	113,719	2001 7,390 5,361
Asset restructuring charge	115,387	—	2002 7,220 5,691
Site restoration adjustment	(26,972)	—	0
Future income taxes	8,446	22,162	
Other	10,030	12,130	
CASH FLOWS FROM OPERATIONS²	244,594	219,429	
Increase in cash and cash equivalents	89,258	106,187	
Cash and cash equivalents, end of year	421,387	332,129	
Operating income	158,347	124,645	
EBITDA³	269,636	238,364	
2002 04 03 02 01 2001			
Sales Volume (thousands of tonnes)			Average Realized Methanol Price
Produced product	5,686	1,347 1,419 1,489 1,431	\$/gallon \$/tonne
Purchased product	809	278 207 129 195	1993 0.41 136
Commission sales ⁴	725	197 188 183 157	1994 0.87 288
	7,220	1,822 1,814 1,801 1,783	1995 0.67 222
			1996 0.45 149
Realized Methanol Price			1997 0.56 187
\$/tonne	155	188 182 138 111	1998 0.36 120
\$/gallon	0.47	0.57 0.55 0.42 0.33	1999 0.32 105
			2000 0.48 160
Per Share Information			2001 0.52 172
Net income (loss)	0.21	(0.24) 0.47 0.12 (0.13)	2002 0.47 155
Adjusted net income (loss) ⁵	0.89	0.44 0.47 0.12 (0.13)	0
Cash flows from operations ²	1.93	0.73 0.77 0.37 0.08	
			Adjusted Net Income (Loss) ⁵ and Cash Flows per Share ⁶
			NI ■ CF □
			1993 0.06 0.41
			1994 2.20 2.75
			1995 1.14 1.89
			1996 0.45 1.14
			1997 1.10 1.99
			1998 (0.39) 0.27
			1999 (0.47) 0.09
			2000 0.85 1.74
			2001 0.53 1.42
			2002 0.89 1.93
			0

¹ Unusual items include Fortier asset restructuring charge (2002), site restoration adjustment (2002) and Medicine Hat asset restructuring charge (2001).

² Before changes in non-cash working capital and the utilization of prepaid natural gas.

³ For a reconciliation of net income to EBITDA refer to "Supplemental Earnings Measures" on page 55.

⁴ Sales of methanol from the 850,000 tonne per year Titan Methanol Company plant in Trinidad. Methanex markets 100% of Titan production.

⁵ Excludes unusual items as described in the Factbook at the end of this annual report.

⁶ Cash flows from operations² divided by the weighted average number of shares outstanding.

Refer to the Factbook at the end of this annual report for additional financial highlights and other information about Methanex and the methanol industry.

2002 CORPORATE EVENTS REVIEW

MARCH

We reached an agreement with Pacific Northern Gas, lowering the transportation toll to our Kitimat facility by approximately \$6 million annually without limiting operational flexibility.

We agreed to market export volumes from YPF/Repsol's new 400,000 tonne per year methanol plant in Argentina.

APRIL

Along with other members of the California Fuel Cell Partnership, we opened California's first methanol fueling station designed for methanol-powered fuel cell vehicles.

JUNE

NECAR 5, DaimlerChrysler's methanol fuel cell vehicle, successfully completed the first transcontinental trip by a fuel cell vehicle.

We issued \$200 million of 8.75% senior notes and the proceeds were used, in part, to repay the \$150 million 7.40% senior notes due in August 2002.

JULY

Our Board of Directors approved Methanex's first quarterly dividend to shareholders.

NOVEMBER

We announced plans to proceed with an 840,000 tonne per year expansion of our methanol production hub in Chile. In connection with the expansion, the gas contracts for the existing Chilean plants have also been extended to 2025 through 2029.

We announced an after-tax non-cash charge of \$86 million relating to a \$113 million write-off of the Fortier methanol facility, which was partially offset by a \$27 million reduction in the accrual for site restoration for the New Zealand facilities.

DECEMBER

We entered into an exclusive agreement with Lyondell Chemical which will see us increasingly supply its methanol feedstock requirements in North America and Europe, acquire its North American methanol customer list starting in 2004 and gain certain production rights to its 750,000 tonne per year methanol facility in Texas for 2004.

We completed project financing for the Atlas methanol project in Trinidad, a joint venture with BP.

We received a draft report from the independent expert appointed to assess the economically recoverable reserves remaining in the Maui natural gas field, offshore New Zealand. The results of the report, made final on February 6, 2003, meant that we lost substantially all of our remaining contractual entitlements from the Maui field.

a clear
choice
methane
methanol

our

business



2002 CORPORATE EVENTS REVIEW

- MARCH** We reached an agreement with Pacific Northern Gas, increasing our commitment to our natural gas supply by approximately \$6 million annually without impacting our natural gas strategy.
- We agreed to market export volumes from YPF Repsol's new 100,000 metric ton per year methanol plant in Argentina.
- APRIL** Along with other members of the California Fuel Cell Partnership, we joined California's first methanol fueling station designed for methanol-powered fuel cell vehicles.
- JUNE** NECAR 5, Daimler-Chrysler's methanol fuel cell vehicle, successfully completed the first transcontinental trip by a fuel cell vehicle.
- We issued \$300 million in senior notes and the proceeds were used, in part, to repay the \$150 million TACI senior notes due in August 2002.
- JULY** Our Board of Directors approved Mylan's first quarterly dividend to our shareholders.
- NOVEMBER** We announced plans to purchase up to 100,000 tonnes per year相聚丙烯酸酯 (PAA) production hub in Chile, in connection with the acquisition. The gas contract for the existing Chilean plants have also been extended to 2025 through 2030.
- We announced the off-shore - on-shore PAA plant in Brazil, which will be a write-off of the former petrochemical facility, which was sold to a third party in 2001, and will be the catalyst for the restoration of the Rio Sul industrial park.
- DECEMBER** We entered into an exclusive license agreement with Sinopec to supply us increasingly supply its methanol technology requirements in South America and China. Against the North American methanol supplier, but starting in 2004 we plan eastern production capacity in 100,000 tonnes per year methanol territory of Brazil for 2006.
- We completed project financing for the Asia methanol project in Thailand, a joint venture with BP.
- We received a draft report from the independent expert appointed to assess the economically recoverable resources remaining at the Huanxiang gas field, offshore New Zealand. The results of the report, submitted in February 2002, indicate that we had substantially all of our remaining contingent resources free the Huanxiang.

a clear
choice

methanex
methanol





A **Responsible Care®** Company

FOCUS ON STRATEGY

For years, our strategy has been clear and consistent – we focus on the winning combination of low cost, global positioning and operational excellence. It is this focus that has allowed us to improve the quality of our business throughout a number of methanol cycles. Our world-scale facilities – underpinned by long-term, low cost natural gas contracts – serve as a model for success in the methanol industry. We are the methanol leader, and our proven strategy is guiding us confidently into the future.

THE CHOICE FOR GLOBAL CUSTOMERS

In the chemical world, Methanex is synonymous with methanol. After all, we are the only true global player in the business. Our multiple production hubs, combined with our marketing reach, make us the clear choice for global customers who depend on reliability and security of supply. In an industry that has never consistently operated above 85 percent capacity utilization on an annual basis, we have averaged 95 percent over the last three years. This stellar operating track record, enhanced by our global presence, has made Methanex a preferred supplier to many customers around the world.

FOCUS ON STRATEGY

For years, our strategy has been clear and consistent — we focus on the winning combination of low cost, global positioning and operational excellence. It is this focus that has allowed us to improve the quality of our business throughout a number of material cycles. Our world-scale facilities — underpinned by long-term, low cost natural gas contracts — serve as a model for success in the methanol industry. We are the methanol leader, and our proven strategy is driving us confidently into the future.

THE CHOICE FOR GLOBAL CUSTOMERS

In the chemical world, Methanex is synonymous with methanol. After all, we're the only true global player in the business. Our multiple production units, combined with our marketleading reach, make us the clear choice for global customers who depend on reliability and security of supply. In an industry that has never consistently operated above 85 percent capacity utilization over the last three years, we have averaged 95 percent over the annual basis. This stellar operating track record, enhanced by our global presence, has made Methanex a preferred supplier to many customers around the world.



A **Responsible Care®** Company[®]





COMPETITIVE LANDSCAPE

2002 ended with tight supply/demand conditions for the methanol market. And the resulting upward pressure on prices allowed us to demonstrate our powerful cash generation capability. Looking ahead, the next major increment of new capacity that we see reaching the market (in early 2004) is our own 1.7 million tonne per year plant in Trinidad. We're optimistic that this favourable methanol supply picture could result in an extended period of strong cash generation, allowing us to further our strategic goals and reward our long-term shareholders.

COMMITMENT TO INVESTORS

Our investors have recently had the opportunity to enjoy some significant market returns. Over the past few years, Methanex shares have substantially outperformed both our chemical peers and the broader market indices. Our strategic and operational success has led to financial success and significant cash generation. And we have consistently been clear about our priorities for this cash – ensure sufficient liquidity to properly manage the business, invest to maintain and improve our asset base and return excess cash to shareholders.

COMPETITIVE LANDSCAPE

expansion market expansion

2002 ended with tight supply/demand conditions for the metallurgical market. And the resulting upward pressure on prices allowed us to demonstrate our powerful cash generation capability. Looking ahead, the next major element of new capacity that we see lessening the market (in early 2004) is our own 1.7 million tonne per year plant in Trinidad. We anticipate that this favourable metallurgical supply picture could result in an extended period of strong cash generation, allowing us to further our strategic goals and reward our long-term shareholders.

COMMITMENT TO INVESTORS

Our investors have recently had the opportunity to enjoy some significant market returns. Over the past few years, Metsox shares have substantially outperformed both our chemical peers and the broader market indices. Our strategic and operational success has led to financial success and significant cash generation. And we have consistently been clear about our priorities for this cash — ensure sufficient liquidity to properly manage the business, invest in innovation and improve our asset base and return excess cash to shareholders.



Q

How will reduced production at your New Zealand facilities, as a result of the Maui gas re-determination, impact your business and the methanol industry?

BOB HASTINGS, RAYMOND JAMES, VANCOUVER

A

In the near term, reduced production at our New Zealand facilities will create certain challenges for both Methanex and the methanol industry. However, the loss of a significant portion of our production capacity in a balanced global market may lead to tighter supply/demand conditions and extend the period of strong prices. For Methanex, the results of the final determination pose the most significant challenge in 2003. Maintaining our leadership position is of great importance to us, and we will supplement our own production by incorporating third-party purchases and alternate supply sources into our global methanol pipeline. As we move into 2004, we gain access to one million tonnes per year of production from our Atlas facility in Trinidad. And in early 2005, we expect to add 840,000 tonnes per year of additional supply from the expansion of our Chilean production hub. These two increments of new capacity more than offset lost production capacity in New Zealand. Throughout this challenging period, we will continue to communicate regularly with our customers in order to provide the highest quality service.

It is also important to remember that natural gas exploration in New Zealand is ongoing, and we are pursuing opportunities to source additional gas for our plants. In addition, we have always planned on the eventual depletion of the Maui field, and as a result, are advancing plans to provide long-term, secure supply to the Asia Pacific region.

Q

How much longer will methanol prices be influenced by North American natural gas prices as more non-North American methanol plants get built around the world, underpinned by low cost gas?

SAM KANES, SCOTIA CAPITAL MARKETS, TORONTO

A

First, some background. Given the significant methanol capacity located in North America and the position of these plants on the industry cost curve, the cash costs of North American producers – determined in large part by prevailing natural gas prices – have historically determined the floor price for methanol when the market is over-supplied.

Next, it is important to note that the methanol pricing strength witnessed in the second half of 2002 and early 2003 had little to do with high North American natural gas prices. Instead, the price strength directly resulted from a tight supply environment and low inventory levels.

Finally, the amount of production coming from North America has been significantly reduced over the last few years, with roughly five million tonnes per year remaining. This tonnage still represents a substantial portion of global methanol supply, and indeed, the cash costs of these producers still set the floor price for methanol. However, as new low cost capacity is added around the world, this North American capacity will eventually be reduced to a point where the region's production costs, and subsequently North American natural gas prices, will have little effect on the price of methanol. We believe this transition may take many more years to occur as a number of factors – such as demand growth rates, timing of capacity additions and the degree of integration of North American producers – will determine the pace of change. Regardless, we expect to continue to be the methanol industry leader, leveraging our global methanol pipeline to provide security of supply to our customers.

a clear choice
methanex
methanol

your
product

a clear choice methanex methanol





METHANOL PROPERTIES

Methanol is a clear, colourless liquid. In fact, it looks just like water. And its physical properties – which make it relatively easy to handle, transport and store – have been recognized for decades. In 1965, for example, the Indy Racing League chose methanol as its racing fuel not only for its high octane rating, but because of its much lower flammability risk compared to gasoline. Methanol is also readily biodegradable.

TRADITIONAL MARKETS

Do you participate in your local recycling program by returning used plastic bottles? Is your running gear made of Spandex or any of your clothing made of polyester? Have you recently used plywood in a home renovation or installed MDF baseboards or crown moldings? If you answered yes to any of these questions, then our product is a part of your life. From windshield washer fluid to paints and silicone, methanol is used to manufacture countless products that we rely on each day.

METHANOL PROPERTIES

Methanol is a clear, colorless liquid. In fact, it looks just like water. And its physical properties — which make it relatively easy to handle, transport and store — have been recognized for decades. In 1945, for example, the Judy Racing League chose methanol as its racing fuel not only for its high octane rating, but because of its much lower flammability risk compared to gasoline. Methanol is also readily biodegradable.

TRADITIONAL MARKETS

Do you participate in your local recycling program? Reusing used plastic bottles is your run-of-the-mill usage of Spandex or any of your clothing made of polyester. Have you recently used plywood in a home renovation or installed MDF panels or crown moldings? If you answered yes to any of these questions, then our product is a part of your life. From window sash to insulation boards and silicone, methanol is used to manufacture countless products that we rely on each day.





IMPROVING OUR HEALTH AND ENVIRONMENT

Methanol can also help restore our polluted waters. Nitrate contamination is a global problem that has led to declines in many fish and shellfish species, and nitrates in drinking water also pose a public health risk. In the United States alone, some 5,000 watersheds are contaminated with nitrates. Methanol is used to remove nitrates from water through a biological process that leaves the treated water clean and safe for our communities.

EXCELLENT HYDROGEN CARRIER

Methanol is one part carbon, one part oxygen and four parts hydrogen. This high hydrogen content, which can be easily drawn from methanol, is of great interest to those who see fuel cells as a key component of a sustainable future. In 2002, DaimlerChrysler's methanol-powered NECAR 5 became the first fuel cell vehicle to make a coast-to-coast crossing of the United States, clearly demonstrating that methanol is a clean and practical source of hydrogen. In addition, methanol can be used to power fuel cells designed to replace the traditional battery in applications such as lift trucks, golf carts and airport ground-support vehicles.

IMPROVING OUR HEALTH AND ENVIRONMENT

Methanol can also help restore our polluted waters. Nitrate contamination is a global problem that has led to declines in many fish and shellfish species, and nitrites in drinking water also pose a public health risk. In the United States alone, some 2,000 watersheds are contaminated with nitrates. Methanol is used to remove nitrates from water through a biological process that leaves the treated water clean and safe for our communities.

EXCELLENT HYDROGEN CARRIER

Methanol is one half carbon, one part oxygen and four parts hydrogen. This high hydrogen content, which can be easily drawn from methanol, is of great interest to those who see fuel cells as a key component of a sustainable future. In 2005, DaimlerChrysler's methanol-powered NECAR 5 became the first fuel cell vehicle to make a coast-to-coast crossing of the United States, clearly demonstrating that methanol is a clean and practical source of hydrogen. In addition, methanol can be used to power fuel cells designed to replace the traditional battery in applications such as lift trucks, forklifts and support-around-support vehicles.



Q

What is Methanex's view on the timing of MTBE's removal from commerce in California and the rest of the U.S.? How will this affect global demand for methanol?

MARK BRIDGES, CIBC WORLD MARKETS, CALGARY

A

Lost demand for methanol stemming from the MTBE phase-out in the U.S. is unfortunate and unnecessary; however, we are pleased that the impact is muted by the tight market conditions that exist as MTBE begins to be replaced in California.

We estimate that over 50% of the current 1.3 million tonnes of methanol-equivalent demand per year for MTBE in California will be removed by midway through 2003 – ahead of the Governor's end-of-year phase-out date. The balance we see removed by the end of 2004 as logistics and infrastructure issues make it more and more difficult for refiners to source enough replacement oxygenate. And we expect that the rest of the U.S. market, which is estimated at roughly 2.5 million tonnes of methanol-equivalent demand per year, will decline steadily from 2005 through 2009.

The MTBE story in the rest of the world is quite different from the politically charged debate in the United States. Scientific studies commissioned in the European Union found "no compelling reasons to limit use of MTBE in motor fuel." In Asia, where many countries are still looking to replace lead in gasoline, MTBE provides an economically attractive choice. And finally, we believe that the Middle East – home of significant MTBE production – represents sizeable incremental demand for MTBE.

Overall, we believe that demand growth for MTBE in other parts of the world, coupled with the traditional, steady non-MTBE demand growth for methanol, will make the issue of MTBE in the U.S. a manageable one for the methanol industry.

Q

Can you provide an update on Methanex's investments and efforts in the fuel cell market?

DAVID SILVER, J.P. MORGAN, NEW YORK

A

Providing fuel for fuel cells represents an exciting opportunity for methanol demand growth, and Methanex has a dedicated team pursuing opportunities with early commercial potential. We currently have several cooperative demonstration programs under development, and we commissioned two fuel cell application refueling facilities during 2002.

While the ultimate commercialization of fuel cell applications faces many challenges, as the methanol industry leader we are committed to ensuring that the availability of a reliable supply of high quality methanol-based fuel is not an impediment to the commercialization and growth of fuel cells. And our already well-received strategy is to provide a fuel supply services package as opposed to simply selling methanol. From inventory management to educating and training customers in product safety and handling, Methanex can provide a cost-effective and simple way to integrate fuel cells and methanol into new applications.

Responsible Care

Responsible Care, developed by the Canadian Chemical Producers' Association (CCPA), is a risk minimization approach to operating a company — from product inception through production to ultimate disposal. Responsible Care begins with our Board of Directors, where we have a Responsible Care Committee, and extends throughout our organization from production plants to marketing and logistics operations.

Fully integrated into Methanex's values, Responsible Care is the umbrella under which we manage issues related to health, safety, environment, community awareness and involvement, and emergency preparedness at each of our facilities across the globe. This ethic also guides decision-making related to our corporate development objectives.

Methanex interprets Responsible Care as minimizing risk to people, the environment and the community throughout the development, manufacture, storage, transportation, distribution and disposal of our product.

Since voluntarily adopting Responsible Care, we have continually found ways to improve our performance in health, safety and the environment. Responsible Care played a key role in creating a unified Methanex culture among a diverse group of assets and employees brought together by merger and acquisition. We also believe that Responsible Care helps us maintain our position as a financially and operationally stable organization.

We are ready to take the next logical step in Responsible Care by placing more attention on the social aspects of our business. For example, we plan to formalize our policy on maximizing local employment opportunities at our sites and to commence a process to measure and improve employee engagement.

This new focus will move us ever closer to Corporate Sustainable Development, which we interpret to be balancing strong financial performance with effective and innovative minimization of environmental impacts and improved quality of life in society, particularly in communities where our employees reside.

While Responsible Care is really an ethic, the CCPA has also developed guiding principles and six codes of practice. How we interpret and apply these codes is demonstrated through written policies and procedures and measured using an audit process that we apply to our operations to ensure ongoing compliance, to identify opportunities for improvement and to manage for assurance. These audits often include third-party observers.

Some of the countries in which we operate have different standards than those applied in North America. Our policy is to adopt the more stringent of CCPA practices and that of the local association at all of our facilities.

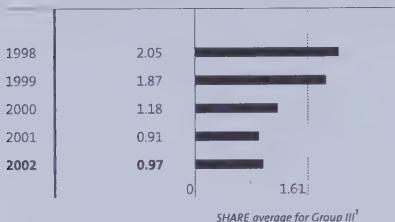
Finally, our shareholders should also have a keen interest in Responsible Care as it adds value to our Company. Not only has it improved our business, won us customers and provided cost savings, but our commitment to Responsible Care also positions us to compete within the global trends of increasing social responsibility and environmental consciousness.

Safety Performance

Safety and health of workers is of primary concern at all of our facilities. Each of our manufacturing sites has long-standing formal safety programs and we encourage all of our employees to adopt healthy lifestyles.

Our focus is on continuously improving safety performance. Our overall recordable injury rate — and the severity of our recordable injuries — continues to decline. In 2002, we won the CCPA SHARE (Safety and Health Analysis Recognition and Exchange) Award for "Excellence in Safety", which recognizes consistent improvement against peer companies over five consecutive years. The SHARE Award was won on the strength of our North American performance.

Methanex Recordable Injuries Frequency Rate (includes contractors)



¹ Group III companies are CCPA member companies whose employees collectively work more than one million hours per year.

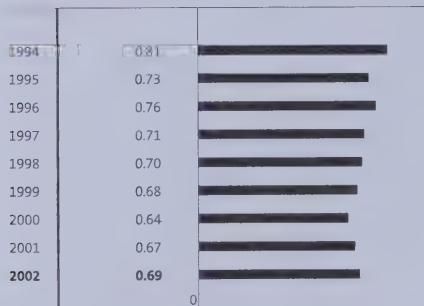
The 'recordable injuries' (RI) frequency rate is the most readily comparable safety measurement throughout the chemical industry. This rate is defined as 'recordable injuries per 200,000 exposure hours', where exposure hours are the total number of hours worked. RIs include incidents that require medical attention or result in restricted work, as well as lost-time injuries (LTI). An LTI is recorded when a person is unable to return to work the day following an injury. In 2002, there were no LTI's among Methanex employees.

Environmental Performance

Our product, methanol, is readily biodegradable and therefore poses very little long-term risk to the environment if accidentally released. As well, the methanol production process generates little solid and liquid waste; the major emission generated is carbon dioxide (CO₂).

The amount of CO₂ generated by the methanol production process depends upon the production technology (and hence often the plant age), the feedstock and any export of by-product hydrogen. The emissions produced are typically low pressure and difficult to recover, and the process has thermodynamic constraints.

Methanex CO₂ Emissions (tonnes CO₂ per tonne methanol)



We actively support the CCPA, which encourages industry to voluntarily reduce both energy consumption and CO₂ emissions. Where national voluntary reduction programs exist, we participate fully.

Awards

Methanex New Zealand recently received a Corporate Environmental Award in the first national awards made in association with the New Zealand Survey of Corporate Environmental Responsiveness. The Massey University Centre for Business and Sustainable Development conducted the survey, and the results place Methanex as one of the top ten New Zealand companies for environmental excellence.

Methanex New Zealand also won the Work and Life Award from the Equal Employment Opportunities Trust. The Company was recognized for the way Methanex management and staff systematically evaluated existing practices and developed options to suit its manufacturing environment.

Although awards are given once a year, they are the cumulative result of the daily contributions of our employees — who are committed to the safe production, transportation and distribution of methanol for our customers, the public and the environment.

Responsible Care in Action

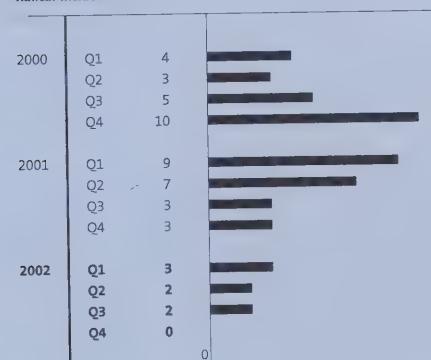
Preventing Leaks in Railcars

Methanex is taking action to prevent leaks of methanol from any of the railcars in its fleet. In 2000 and 2001, 44 incidents involving railcars loaded at US contract terminals resulted in delayed deliveries, customer issues, emergency response costs and (in some cases) regulatory fines. A team from the Dallas marketing and logistics office was formed to reduce — and ultimately eliminate — these incidents.

A number of actions were taken, including the development of a railcar-loading checklist that will be used at all contract terminals. We are working with our railcar maintenance contractors to develop a preventive maintenance program that will ensure gasket replacement and inspection of the car and valves at regular intervals.

As a result of these efforts, over the past two years the number of railcar leak incidents has fallen by 68 percent.

Railcar Incidents



Social Investment

Methanex and its employees have continued to make significant investments in the communities where we live and work, contributing over \$500,000 annually since 2000.

Additionally, Methanex gave CAD \$500,000 to the University of British Columbia (UBC) in Vancouver, Canada in April 2002 to establish the Methanex Professorship in Clean Energy Research. "Methanex's support will go a long way in enabling us to conduct much-needed energy research to continue to pursue technological solutions to improve the environment," said Dr. Robert Evans, the inaugural holder of the Methanex Professorship.

Aside from traditional co-op programs between local universities and our plants, Methanex offers an International Engineering Co-op Program. Each year, a senior chemical engineering student from Chile completes a work term in Canada, and vice versa. The international exchange combines professional development with a unique cultural and personal experience. The program has proven to be extremely rewarding for each student, and to Methanex, which has hired eight graduates since the program's inception in 1997.

Corporate Governance

Corporate governance has become an important public policy issue in North America. Corporate governance means having in place processes and structures which provide proper direction and management of the business and affairs of a company and good corporate governance is critical to a company's effective, efficient and prudent operation. Recently, there have been many regulatory and legal initiatives aimed at improving corporate governance, increasing corporate accountability and enhancing transparency of public company disclosure. Our management and Board actively monitor and, where appropriate, respond to these various regulatory and legal initiatives. These initiatives include the Sarbanes-Oxley Act in the United States which became law on July 30, 2002. We comply with the Sarbanes-Oxley Act provisions which apply to us as a non-US public company listed on a US stock exchange. Additionally, the Toronto Stock Exchange Joint Committee on Corporate Governance has proposed amendments to its existing corporate governance guidelines. Our corporate governance practices are consistent with the Toronto Stock Exchange's current guidelines.

Board of Directors

Our Board supervises the management of our business and affairs and approves the overall policies under which we operate. In addition, the Board evaluates our strategic direction and planning process and participates in developing and approving our strategic plan.

The Board approves our approach to significant business issues and corporate plans as well as major transactions such as acquisitions, divestitures, financing, significant capital expenditures and human resource matters.

Our Board has a wealth of experience that is relevant to our business. This includes experience with various commodities including chemicals, forest products and metals, as well as finance, business development, international business and government relations.

Our Directors are kept informed of the performance of our operations at regularly scheduled meetings of the Board and its Committees, through reports and analyses prepared by management and by professional advisors as appropriate. During 2002, our Board met formally on nine occasions and there were also fourteen Committee meetings. The overall Board member attendance rate at these meetings was 94 percent. Our management, especially our President and Chief Executive Officer (CEO) Mr. Pierre Choquette, also communicates and meets frequently with our Directors on an informal basis.

NOVA Chemicals Corporation (NOVA) is our major shareholder and holds 37 percent of our shares. Our non-executive Chairman, Mr. Jeffrey Lipton, as well as Board members Mr. A. Terence Poole and Mr. Christopher Pappas, are officers of NOVA.

Many of our directors serve on other boards. Our President and CEO, Mr. Choquette, serves as a director only on the Methanex Board.

Committees of the Board of Directors

During 2002, the Board had four standing committees, each having a formal mandate with delegated responsibilities and instructions to perform advisory functions and make reports and recommendations to the Board. Each committee conducts an annual self-assessment of its performance against its mandate.

Audit, Finance and Risk Committee

Brian D. Gregson – Chair
R.J. (Jack) Lawrence

A. Terence Poole
Graham D. Sweeney

The Audit, Finance and Risk Committee meets with our financial officers and our independent auditors to review (among other matters) financing, financial reporting, controls and procedures, audit procedures and plans, risk management, the investment of Company pension funds and our annual report. This Committee met on seven occasions in 2002.

Human Resources and Corporate Governance Committee

Jeffrey Lipton – Chair

Robert B. Findlay

R.J. (Jack) Lawrence

David Morton

Anne Wexler

The Human Resources and Corporate Governance Committee reviews matters that include senior management appointments, succession planning, compensation and performance. It is also responsible for the composition, performance, compensation and governance of the Board. This Committee approves the written annual corporate objectives of our CEO and reviews the CEO's performance relative to those objectives. This Committee met on three occasions in 2002.

In early 2003 a separate Corporate Governance Committee was formed, which is responsible for the composition, performance, compensation and governance of the Board and the Committees. It is also responsible for developing and recommending to the Board a set of corporate governance principles and taking a leadership role in shaping the corporate governance of the Company. This Committee will be chaired by Mr. Morton. The other members of the Corporate Governance Committee are Ms. Wexler, Mr. Findlay, Mr. Lawrence and Mr. Lipton.

Responsible Care Committee

Graham D. Sweeney – Chair

Robert B. Findlay

Brian D. Gregson

Christopher Pappas

The Responsible Care Committee is responsible for the environment and occupational health and safety matters that impact significantly on the Company. This Committee met on two occasions in 2002.

Public Policy Committee

Anne Wexler – Chair

Jeffrey Lipton

David Morton

The Public Policy Committee is responsible for government relations, social investment and public affairs issues that impact significantly on the Company. The Committee met twice in 2002.

Board, Employee and Shareholder Alignment

We believe the alignment of Board, employee and shareholder interests promotes good corporate governance. Incentive plans, including stock-based compensation, are one of the most common forms of alignment, but we have also implemented other alignment plans and guidelines.

Share ownership guidelines for the Board and executive officers have recently been revised and are as follows:

- Directors to own shares valued at 200 percent of the annual retainer
- the CEO to own shares valued at 500 percent of annual base salary
- other executive officers to own shares valued at 300 percent of annual base salary

Share ownership guidelines have also been extended to certain other management positions. The guidelines are expected to be achieved within specified periods.

At December 31, 2002, Directors and executive officers held approximately 1,200,000 Methanex shares.

Directors and executive officers may participate in the Company's Deferred Share Unit (DSU) Plan. DSUs are notional grants of shares whose value is redeemable only after an individual ceases to be a Director or the executive officer ceases employment with the Company. Directors elect annually to receive up to 100 percent of their retainer and meeting fees and executive officers elect annually to receive up to 100 percent of their short-term incentive plan award as DSUs. DSUs are considered when determining whether share ownership guidelines are being met. The majority of our Directors participate in the DSU Plan.

Directors, executive officers and management are eligible to receive long-term incentive stock option grants. The stock option grants have a graduated vesting scale and expire after ten years. Details of the options granted are included in the Notes to the Consolidated Financial Statements on page 69 of this report.

We have recently introduced a Restricted Share Unit ("RSU") plan which is a notional grant of shares. Commencing in 2003, executive officers elect to receive 50% or 100% of the value of their annual long-term incentive award in the form of RSUs which are non-dilutive to shareholders. The CEO will receive 100% of the value of his 2003 long-term incentive award in the form of RSUs. Non-executive directors are granted RSUs as part of their director's compensation. RSUs granted in 2003 will vest on December 1, 2005. Upon vesting, RSUs are redeemed at a value based on the trading price of the Company's shares. The RSU plan will be extended to certain other management positions in 2004. RSUs are considered when determining whether an individual is meeting share ownership guidelines.

We have an employee share purchase plan that encourages share ownership for all of our employees. At the end of 2002, nearly 85 percent of our employees were shareholders through this plan, and approximately 260,000 shares (or 0.2 percent of the total shares outstanding) were held in the plan. We believe the plan figures represent a conservative estimate of the total level of employee share ownership, as many employees regularly transfer their shares from the plan to their own brokerage accounts.

All employees are eligible for annual short-term incentive payments. The incentive payment depends on individual and Company performance, and increases with organizational responsibility. In 2002, incentive payments were made commensurate with achieving these objectives.

Forward-Looking Statements

Statements made in this document that are based on our current expectations, estimates and projections constitute forward-looking statements. Forward-looking statements are based on our experience and perception of trends, current conditions, expected future developments and other factors. By their nature, forward-looking statements involve uncertainties and risks that may cause the stated outcome to differ materially from the actual outcome.

Important factors that can cause anticipated outcomes to differ materially from actual outcomes include worldwide economic conditions; conditions in the methanol and other industries, including the supply and demand balance for methanol; actions of competitors; changes in laws or regulations; the ability to implement business strategies, pursue business opportunities and maintain and enhance our competitive advantages; the risks attendant with methanol production and marketing, including operational disruption; the risks associated with carrying out capital expenditure projects, including completing the Atlas and Chile IV projects on time and on budget; availability and price of natural gas feedstock; the commercial acceptance of methanol for use as a fuel in fuel cell applications; foreign exchange risk; raw material and other production costs; transportation costs; the ability to attract and retain qualified personnel; the risks associated with investments and operations in multiple jurisdictions and other risks which the Company may describe in publicly available documents filed from time to time with securities commissions.

Having in mind these and other factors, many of which are described in this document, readers are cautioned not to place undue reliance on forward-looking statements. The Company does not guarantee that anticipated outcomes made in forward-looking statements will be realized.

Management's Discussion & Analysis

INDEX

41 Overview	52 Outlook
41 Our Strategy	54 Critical Accounting Policies
42 How We Analyze Our Business	55 Supplemental Earnings Measures
43 Our Results of Operations	56 Quarterly Financial Data (Unaudited)
48 Liquidity & Capital Resources	

This section of the annual report should be read in conjunction with our consolidated financial statements and the accompanying notes.

OVERVIEW

Methanol is a liquid commodity chemical produced primarily from natural gas. Roughly three-quarters of all methanol is used to produce formaldehyde, acetic acid and other chemical derivatives for which demand is influenced by levels of global gross domestic product. The remainder of all methanol is used to produce the gasoline additive MTBE, for which demand is driven by air quality improvement as well as levels of gasoline demand.

We are the world's largest producer and marketer of methanol. We operate methanol production facilities located in Chile, New Zealand and North America. In addition, we source additional methanol produced by others either on a contract basis or on the spot market in order to meet customer needs and support our marketing efforts. Together with BP, we are constructing Atlas, a 1.7 million tonne per year methanol facility in Trinidad. We believe our global positioning, including our extensive network of storage terminals and world-class expertise in the global distribution of methanol, is a competitive advantage.

OUR STRATEGY

Our primary objective is to create value through maintaining and enhancing our leadership in the production, marketing and delivery of methanol to our customers. The key elements of our strategy to achieve this objective may be summarized as follows:

Low Cost Structure

The most significant components of our costs are natural gas for feedstock and distribution costs associated with delivering methanol to customers. An important element of our strategy is to ensure security of natural gas supply at favourable prices. Over time, we have been reducing our reliance on North American production, where natural gas is purchased on a short-term basis and prices are extremely volatile, by selecting locations for new facilities where we can purchase natural gas through long-term contracts with favourable pricing.

Currently, we have two methanol projects under construction aimed at strengthening our position as a low cost global producer. These projects are underpinned by long-term natural gas contracts. The first project is a joint venture with BP to build the Atlas methanol facility. We have a 63.1% interest in Atlas and this facility will serve as a low cost hub to supply the North American and Western European markets commencing in 2004. The second project is an 840,000 tonne per year expansion of the production capacity of our Chilean facilities. Chile IV is expected to be completed by early 2005. In connection with the expansion, the gas contracts for our existing plants, Chile I, Chile II and Chile III, have been extended to 2025, 2027 and 2029, respectively. In addition, we are advancing plans to provide long-term, secure supply to the Asia Pacific region.

We are also focused on reducing our ocean shipping and other distribution costs. We seek to use larger vessels where possible and to maximize the utilization of our shipping fleet in order to reduce costs. We take advantage of prevailing conditions in the shipping market by varying the type and length of term of our ocean shipping contracts. We are planning to increase the number of in-market terminal storage facilities, particularly in Asia, to further improve the efficiency and cost-effectiveness of servicing our customers. We also look for opportunities to enter into product exchanges to reduce duty and other distribution costs.

Maintain Our World Leadership in Methanol Marketing, Logistics and Sales

We sell methanol through an extensive global marketing and distribution system. We believe this has enabled us to become the largest supplier of methanol to each of the major international markets of North America, Asia Pacific and Europe, as well as Latin America. We continue to pursue opportunities that allow us to maintain this market leadership. For example, during 2002 we initiated a posted pricing mechanism in all major markets, which appears to have improved the process of price settlements.

We have played a role in the consolidation of the methanol industry and have positioned ourselves as the supplier of choice for global methanol consumers as they face the decision of producing or purchasing their methanol feedstock requirements. Over the past five years, we have shut down, either permanently or for an indeterminate period, 1.7 million tonnes of our own higher-cost capacity. Other producers have also shut down plants and this has allowed us to gain new customers. Examples of this include our acquisition in 2000 of ICI's customer base and logistics infrastructure located primarily in the United Kingdom and a long-term exclusive agreement with Lyondell Chemical completed in 2002 to supply their methanol requirements in North America and Europe. We will also acquire Lyondell's customer list and a number of customer contracts in North America effective January 1, 2004 and we will have certain production rights during 2004 to their 750,000 tonne per year methanol facility in Texas.

Operational Excellence

Our focus on operational excellence includes excellence in our manufacturing process, in the leadership of our human resources and in the management of our finances.

In order to differentiate ourselves from our competitors, we strive to be the premier operator in all aspects of our business. We believe that reliability of supply is critical to the success of our customers' businesses and our goal is to deliver methanol reliably and cost-effectively. Through our Responsible Care program we have achieved an excellent overall environmental and safety record at all of our facilities and have reduced the likelihood of unplanned shutdowns and lost time accidents. By maintaining and improving our plant operating reliability, as a result of our focus on operational excellence, we believe we have become a preferred supplier of methanol globally.

We operate in a highly competitive cyclical industry. Accordingly, we believe it is important to maintain financial flexibility throughout the methanol industry cycle and we have deliberately adopted a prudent approach to our liquidity. We have similarly established a disciplined approach to capital spending and have set minimum target return criteria for methanol capacity additions and other investments. We are focused on financial discipline and value creation.

HOW WE ANALYZE OUR BUSINESS

Our operating results are affected by the prevailing market price for methanol, our production volumes and related costs of production and distribution and, to a lesser extent, the margins we earn on the sale of purchased methanol.

We believe that our results of operations are best examined by analyzing changes in the components of our operating income, interest expense, interest and other income, unusual items and income taxes. The margin characteristics of our sales of purchased methanol and our sales of produced methanol are very different and therefore we believe that separate discussion of the revenue and cost of sales line items is

less meaningful. The discussion of purchased methanol and its impact on our results of operations is more meaningfully discussed on a net margin basis, because the cost of sales of purchased methanol consists principally of the cost of the methanol itself, which is directly related to the selling price of methanol at the time of purchase. The discussion of produced methanol is more meaningful if we separately analyze the individual elements that impact operating income. These elements are selling price and sales volumes, total cash cost (which is included in cost of sales and operating expenses in the income statement) and depreciation and amortization. Total cash cost includes cash production and distribution costs (which we call delivered cash cost) and selling, general and administrative expenses.

OUR RESULTS OF OPERATIONS

For the year ended December 31, 2002, net income was \$26 million compared with \$71 million for 2001. The results for 2002 and 2001 include the impact of unusual items. Unusual items in 2002 include a non-cash \$115 million asset restructuring charge related to the write-off of the Fortier facility, partially offset by a non-cash \$27 million reduction to the site restoration accrual in New Zealand. In 2001, we recorded an \$11 million asset restructuring charge related to the idling of the Medicine Hat facility for an indeterminate period. Income before unusual items (after-tax) for 2002 was \$112 million compared with \$82 million for 2001.

Financial Highlights

(\$ MILLIONS EXCEPT AS NOTED)	2002	2001
Sales volumes (thousands of tonnes)		
Produced	5,686	5,390
Purchased	809	1,280
Commission sales ¹	725	720
	7,220	7,390
 Average realized methanol price (\$ per tonne)	 155	 172
Operating income²	158	125
Income before unusual items (after-tax)³	112	82
Net income	26	71
Cash flows from operating activities⁴	245	219
EBITDA⁵	270	238
Common shares outstanding at December 31 (millions of shares)	126	131
Weighted average number of common shares outstanding (millions of shares)	127	154
Basic and diluted net income per share (\$ per share)	0.21	0.46

¹ Sales of methanol from the 850,000 tonne per year Titan Methanol Company plant in Trinidad. Methanex markets 100 percent of Titan's production. Commission income earned is included in revenue.

² Operating income represents net income before income taxes, interest expense, interest and other income, asset restructuring charges and the site restoration adjustment.

³ For a reconciliation of net income to income before unusual items (after-tax), refer to "Supplemental Earnings Measures" on page 55.

⁴ Before changes in non-cash working capital and the utilization of prepaid natural gas.

⁵ EBITDA represents net income before income taxes, interest expense, interest and other income, depreciation and amortization, asset restructuring charges and the site restoration adjustment. For a reconciliation of net income to EBITDA, refer to "Supplemental Earnings Measures" on page 55.

Production Summary

(THOUSANDS OF TONNES)	OPERATING CAPACITY	PRODUCTION 2002	PRODUCTION 2001
Chile I, II and III (Chile)	3,000	2,932	2,783
Motunui (New Zealand)	1,900	1,814	1,727
Waitara Valley (New Zealand)	530	467	406
Kitimat (Canada) ¹	500	478	250
Medicine Hat (Canada) ²	470	—	195
	6,400	5,691	5,361

¹ The Kitimat plant was temporarily idled in July 2000 and restarted in July 2001.

² The Medicine Hat plant was idled for an indeterminate period in July 2001.

The Maui natural gas field has been the primary gas supply source for our facilities in New Zealand. A contractual process was initiated in December 2001 to re-determine the economically recoverable natural gas reserves in the Maui field. On February 6, 2003, the independent expert, who was appointed by the parties to the Maui gas contract, released a final determination of economically recoverable reserves. Based on this report we will lose substantially all of our remaining contractual entitlements from the Maui field. As at February 6, 2003, after considering the impact of the determination, we have sufficient contracted gas entitlements to produce approximately 800,000 tonnes of methanol at the New Zealand facilities. Natural gas exploration in New Zealand is ongoing and we are continuing to pursue acquisitions of additional gas to supplement the contracted gas. However, there can be no assurance that we will be able to secure additional gas on commercially acceptable terms.

Operating Income

2002 operating income was \$158 million compared with operating income of \$125 million in 2001. The increase in operating income of \$33 million resulted from:

2002 VS. 2001	(\$ MILLIONS)
Lower realized price of produced methanol ¹	(88)
Lower total cash cost ²	81
Higher sales volumes of produced methanol ³	20
Higher margin on the sale of purchased methanol ⁴	14
Lower depreciation and amortization ⁵	3
Other, net	3
	33

¹ Calculated as the change in the selling price of methanol that we produce multiplied by the sales volume of produced methanol in the current year.

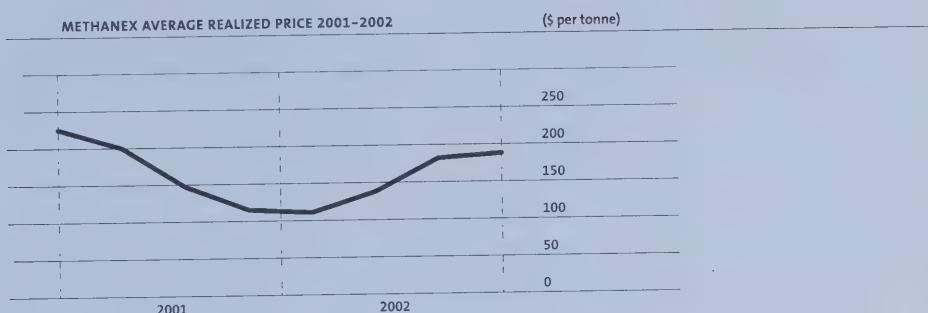
² Calculated as the change in delivered cash cost per tonne multiplied by the sales volume of produced methanol in the current year plus the change in selling, general and administrative expenses.

³ Calculated as the change in the sales volume of methanol that we produce multiplied by the difference between the selling price and delivered cash cost per tonne for the prior year.

⁴ Calculated as the change in the margins earned on the sale of purchased methanol.

⁵ Calculated as the change in depreciation and amortization.

Lower Realized Price of Produced Methanol



The average realized price for 2002 was \$155 per tonne compared with \$172 per tonne in 2001. The lower average realized price reduced operating income in 2002 by \$88 million compared with 2001. Tight supply/demand fundamentals and high North American natural gas prices resulted in strong methanol prices during the first half of 2001. Methanol prices declined substantially in the second half of 2001, consistent with general economic conditions, and remained low during the first quarter of 2002. Planned and unplanned methanol plant outages, typical of historical industry operating performance, combined with some recovery in demand, resulted in tight market conditions, low inventory levels and higher methanol prices beginning in the second quarter of 2002. Supply limitations and tight market conditions continued throughout the remainder of 2002 and resulted in strong methanol pricing. During the second half of 2002 we realized an average price of \$185 per tonne and our average price in December 2002 was \$191 per tonne.

Lower Total Cash Cost

Our total cash cost was lower in 2002 compared with 2001 and this resulted in increased operating income of \$81 million. The primary changes in total cash cost were as follows:

2002 VS. 2001	(\$ MILLIONS)
Lower natural gas costs	45
Lower business development and strategic initiatives expenditures	18
Lower logistics and duties costs	16
Lower fixed costs in North America	7
Other, net	(5)
	81

Lower Natural Gas Costs

Lower natural gas costs increased operating income by \$45 million in 2002 compared with 2001. We purchase natural gas for our North American facilities on a short-term basis. North American gas prices are set in a competitive market and can fluctuate widely. Costs for natural gas were lower for our North American facilities in 2002 compared with 2001 and this increased operating income by \$25 million. Natural gas costs for our Chilean facility are adjusted by a formula related to methanol prices on a twelve-month trailing average basis. As a result of lower average methanol prices in 2002 compared with 2001, our natural gas costs in Chile were lower in 2002 and this increased operating income by \$20 million. Natural gas costs in New Zealand did not change significantly.

Lower Business Development and Strategic Initiatives Expenditures

Lower expenditures for business development and strategic initiatives improved operating income by approximately \$18 million for 2002 compared with 2001. In 2001, we completed a materials demonstration unit in New Zealand at a cost of \$7 million. The remaining decrease in costs for 2002 compared with 2001 relates primarily to preliminary-stage costs incurred in 2001 for exploring opportunities to expand our methanol production capacity in Asia Pacific and costs incurred in 2001 for examining other business opportunities that we chose not to pursue.

Lower Logistics and Duties Costs

Logistics and duties costs were lower in 2002 compared with 2001 and this increased operating income by \$16 million. Approximately half of the cost reduction is the result of focused initiatives to achieve more efficient shipping patterns and reduce our vessel costs. The remainder of the cost improvement primarily relates to lower European import duties and the impact on duty costs of lower average methanol prices.

Lower Fixed Costs in North America

Our fixed costs in North America were \$7 million lower in 2002 compared with 2001 due to the idling of the Medicine Hat facility in the second half of 2001.

Higher Sales Volumes of Produced Methanol

In 2002, we delivered excellent operating performance and operated our production facilities, excluding idled facilities, at 96% of capacity compared with 91% in 2001. As a result of higher production volumes at our facilities we had higher sales volumes of produced methanol and this improved operating income by \$20 million for 2002 compared with 2001.

Higher Margin on the Sale of Purchased Methanol

We incurred a loss of \$8 million, or approximately \$10 per tonne, on the sale of purchased methanol in 2002 compared with a loss of \$22 million, or approximately \$17 per tonne, in 2001. Methanol prices declined rapidly in 2001 and we incurred higher losses in 2001 as we sold purchased product from inventory.

Lower Depreciation and Amortization

Depreciation and amortization was \$111 million in 2002 compared with \$114 million in 2001. The decrease in depreciation of \$3 million relates primarily to changes in the mix of product sold and lower depreciation charges for catalyst and turnaround due to a focused effort to decrease the cost of major maintenance and to extend the period between major turnarounds and catalyst changes. These decreases were partially offset by an increase in depreciation resulting from higher sales volumes of produced product.

Interest Expense

(\$ MILLIONS)	2002	2001
Interest expense before capitalized interest	38	33
Capitalized interest	(9)	(1)
	29	32

Interest expense was \$29 million in 2002 compared with \$32 million in 2001. The decrease relates to an increase in capitalized interest for the Atlas and Chile IV projects, partially offset by an increase in the level of long-term debt.

Interest and Other Income

Interest and other income was \$10 million in 2002 compared with \$19 million for 2001. The decrease is explained partly by an additional \$3 million of interest income recorded in late 2001 related to the settlement of an income tax dispute in Canada. The remainder of the decrease is due primarily to lower average cash balances and interest rates in 2002 compared with 2001, partially offset by higher foreign exchange gains in 2002 compared with 2001.

Asset Restructuring Charge and Site Restoration Adjustment ("Unusual Items")

During 2002, we recorded a non-cash asset restructuring charge of \$115 million related to the write-off of our Fortier facility which has been idled since March 1999. The Fortier asset restructuring charge was partially offset by a non-cash \$27 million reduction in the accrual for site restoration for our New Zealand facilities. The adjustment to the site restoration accrual was made after completing a comprehensive review and analysis to update the previous estimate. During 2001, we recorded an asset restructuring charge of \$11 million related to the idling of our Medicine Hat facility for an indeterminate period.

Income Taxes

The effective income tax rate for 2002 was 49% compared with 29% in 2001. Excluding the impact of unusual items, the effective income tax rate for 2002 was 20% compared with 26% for 2001. The lower effective tax rate in 2002, excluding the impact of unusual items, is primarily due to higher losses in 2001 in Canada where no income tax benefits were recorded. Due to the existence of unrecorded tax benefits in New Zealand, no adjustment to income tax expense related to the site restoration adjustment was required. In the United States, where we incurred the Fortier asset restructuring charge, the income tax recovery was limited to the related future income tax liability recorded in prior years in the amount of \$2 million.

We have unrecognized income tax benefits in New Zealand, Canada and the United States (see note 14 to the consolidated financial statements).

LIQUIDITY & CAPITAL RESOURCES

Cash Flow Highlights

(\$ MILLIONS, EXCEPT AS NOTED)	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from operating activities ¹	245	219
Refund of income tax deposit	—	67
Other changes in non-cash working capital and utilization of prepaid natural gas	(55)	90
	190	376
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of long-term debt, net of financing costs	194	—
Repayment of long-term debt	(150)	—
Proceeds on issue of limited recourse project financing, net of financing costs	92	—
Shares repurchased	(56)	(188)
Dividends	(13)	—
Other, net	3	—
	70	(188)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment ²	(21)	(19)
Plant and equipment under construction or development ³	(146)	(60)
Other, net	(4)	(3)
	(171)	(82)
Increase in cash and cash equivalents	89	106
Cash and cash equivalents, end of year	421	332

¹ Before changes in non-cash working capital and the utilization of prepaid natural gas.

² Includes capital maintenance, turnarounds and catalyst and other capital expenditures and the change in related accounts payable and accrued liabilities.

³ Including the related change in accounts payable and accrued liabilities.

Cash Flows from Operating Activities

Cash flows from operating activities before changes in non-cash working capital and the utilization of prepaid natural gas were \$245 million in 2002 compared with \$219 million for 2001.

In 2001, we received a refund of \$67 million from the Canada Customs and Revenue Agency representing the full amount placed on deposit plus accrued interest relating to the successful settlement of our 1991 income tax reassessment.

The increase in other non-cash working capital for 2002 of \$55 million was primarily due to higher purchased product inventories and an increase in trade accounts receivable as a result of higher methanol prices at December 31, 2002 compared with December 31, 2001.

Cash Flows from Financing Activities

In 2002, we issued \$200 million 8.75% senior notes due August 15, 2012. Financing costs of \$6 million were incurred with respect to the senior notes issuance. In August 2002, we repaid upon maturity \$150 million of senior notes.

Limited recourse project financing was completed in December 2002 for the Atlas joint venture. The project financing is comprised of senior debt facilities totaling \$237 million and a subordinated debt facility in the amount of \$15 million. The senior debt represents approximately 60% leverage for the project. The debt facilities are drawn pro rata with equity contributions. At December 31, 2002, our proportionate share of the amount drawn on the debt facilities was \$98 million and our proportionate share of the financing costs was \$6 million.

During 2001, we repurchased 29.2 million of our common shares pursuant to a substantial issuer bid for \$176 million (\$6.00 per share). Also during 2001, we commenced a normal course issuer bid to repurchase up to 11.5 million shares. Pursuant to the normal course issuer bid we repurchased 2.2 million shares for a total cost of \$12 million (\$5.40 per share) in 2001 and 7.7 million shares for a total cost of \$56 million (\$7.20 per share) in 2002.

During the third quarter of 2002 we initiated the payment of quarterly dividends of \$0.05 per share, or approximately \$6 million. During 2002, we paid total dividends of \$13 million.

Cash Flows from Investing Activities

Capital maintenance and other capital expenditures for 2002, including changes in related accounts payable and accrued liabilities, were \$21 million compared with \$19 million for 2001.

Plant and equipment under construction or development include expenditures on the following projects, net of changes in related accounts payable and accrued liabilities:

(\$ MILLIONS)	2002	2001
Atlas (Trinidad) — under construction	103	55
Chile IV (Chile) — under construction	23	3
Asia Pacific (Australia) — under development	20	2
	146	60

During 2002, our proportionate share of capital expenditures for the Atlas project was \$103 million. Our proportionate share of total capital expenditures for the Atlas project to the end of 2002 was \$158 million. This amount includes capitalized interest and the payment made in 2001 to acquire Beacon Energy Investment Fund's interest in the Atlas project. The Atlas project is expected to be completed in early 2004. We estimate that our proportionate share of remaining capital expenditures to complete the construction of Atlas and other commitments will be approximately \$115 million and that these expenditures will be funded from cash generated from operations, cash and cash equivalents and the proceeds from the limited recourse debt facilities. At December 31, 2002, we estimate that our remaining cash equity contribution to complete the project was approximately \$50 million.

We made the decision to proceed with the construction of Chile IV during 2002. Chile IV is an 840,000 tonne per year expansion of our Chilean facilities and is expected to cost approximately \$275 million, including capitalized interest of \$25 million. As at December 31, 2002, total capital expenditures for the project were \$26 million. Construction of Chile IV is expected to be completed in early 2005. We anticipate that these expenditures will be funded from cash generated from operations and cash and cash equivalents.

We are developing a potential methanol project located in Western Australia. As at December 31, 2002, total capital expenditures for the project, including \$2 million in expenditures incurred in 2001, were \$22 million.

Summary of Contractual Obligations and Other Commercial Commitments

The following table presents a summary of our long-term debt and other major contractual obligations, as well as other major commercial commitments over the next three years as at December 31, 2002:

(\$ MILLIONS)	2003	2004	2005
Debt repayments	—	8	264
Natural gas and related commitments	143	152	160
Vessel charter, terminal facilities and other commitments	91	90	89
Projects under construction	204	80	26
	438	330	539

In addition, planned capital maintenance expenditures directed towards major maintenance, turnarounds and catalyst changes, which are not included in the above table, are estimated to average approximately \$25 million per year, through the end of 2005.

Debt Repayments

We have \$250 million of long-term debt maturing in 2005. The remaining debt repayments relate to an estimate for our proportionate share of the principal repayments for the Atlas debt facilities. The actual timing of principal repayments for the Atlas financing is contingent on the timing of project completion.

Natural Gas and Related Commitments

We have commitments under take-or-pay contracts to purchase annual quantities of natural gas supplies and to pay for transportation capacity related to these supplies. Take-or-pay means that we are obliged to pay for the natural gas regardless of whether we take delivery of the natural gas contracted. Such commitments are typical in the methanol industry.

In Chile, we purchase all of our natural gas through favourably priced long-term take-or-pay supply contracts. The majority of the natural gas for our Chilean facilities is purchased from suppliers in Argentina with the remainder supplied by Empresa Nacional del Petroleo de Chile, the Chilean state-owned energy company. The purchase price of natural gas is based on a minimum United States dollar price adjusted by a formula related to prevailing methanol prices. The gas contracts for our Chilean facilities expire between 2025 and 2029.

In New Zealand, we purchase natural gas through a combination of take-or-pay supply contracts and other purchase contracts. The commitments disclosed in the above table reflect the results of the Maui gas field determination.

We do not have commitments for natural gas expenditures in North America as we purchase natural gas on a short-term basis. However, we do have commitments related to payments for pipeline transportation capacity related to these supplies.

Vessel Charter, Terminal Facilities and Other Commitments

The majority of these commitments relate to time charter ocean shipping agreements with terms of 1 to 14 years. Time charter vessels meet approximately 70 percent of our ocean shipping requirements with the remainder of our requirements secured under a mix of contracts with terms of one to two years and through spot arrangements. We believe this structure provides an appropriate mix of shipping capacity, reflecting factors such as the location of our production facilities, the location and restrictions of the destination ports, and the risks associated with production, customer requirements and the general shipping market.

Projects Under Construction

Projects under construction include our proportionate share of the estimated construction costs and other commitments for Atlas and the estimated construction costs for Chile IV. The timing of these estimated expenditures is subject to change. These estimates do not include capitalized interest.

Liquidity and Capitalization

We maintain conservative financial policies that reflect the volatile and cyclical nature of methanol pricing. We focus on maintaining our financial strength and flexibility through prudent financial management.

(\$ MILLIONS)	2002	2001
LIQUIDITY		
Cash and cash equivalents	421	332
Undrawn credit facilities	291	291
	712	623
CAPITALIZATION		
Long-term debt	450	399
Limited recourse long-term debt	98	—
Shareholders' equity	904	935
	1,452	1,334
Total debt to capitalization¹	38%	30%
Net debt to capitalization²	12%	7%

¹ Defined as total debt divided by capitalization.

² Defined as total debt less cash and cash equivalents divided by capitalization less cash and cash equivalents.

As at December 31, 2002, our cash balance was \$421 million. We also have an undrawn \$291 million credit facility that expires in January 2004. We believe that our current financial position, combined with our low cost production capacity, provides us with substantial financial capacity and flexibility. As a result of this financial strength, on February 14, 2003 we paid a special dividend of \$0.25 per share, or \$31 million.

We have the financial capacity to complete the capital maintenance spending program, fund our remaining share of the cash equity contribution to complete the Atlas project, complete the construction of Chile IV and pursue new opportunities to enhance our strategic position in methanol.

The credit ratings for our unsecured long-term debt at December 31, 2002 were as follows:

Standard & Poor's	BBB- (stable)
Moody's Investor Service	Ba1 (stable)
Fitch	BBB (stable)

Credit ratings are not recommendations to purchase, hold or sell securities and do not comment on market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future.

Financial Risk Management

The dominant currency in which we conduct business is the United States dollar, which is our reporting currency. At our Canadian, New Zealand and Chilean production facilities, certain of the underlying operating costs and capital expenditures are incurred in currencies other than the United States dollar. We are exposed to increases in the value of these currencies that could have the effect of increasing the United States dollar equivalent of cost of sales and operating expenses and capital expenditures. We also have some revenues in Euros and British pounds. We are exposed to risks of declines in the value of these currencies compared to the United States dollar which could have the effect of decreasing the United States dollar equivalent of revenue.

We have implemented a foreign exchange hedging program designed to limit our exposure to foreign exchange volatility and to contribute towards achieving strategic cost structure targets. We manage our exposure to foreign currencies through forward exchange contracts. These instruments are used solely for hedging purposes, not for speculation. Hedging activity is reviewed regularly by the Audit, Finance and Risk Committee of our Board.

The fair value of our forward exchange contracts was positive \$2 million at December 31, 2002. Until settled, the fair value of these financial instruments will fluctuate based on changes in foreign exchange rates. These contracts are not subject to rating triggers or margin calls and rank equally with all our unsecured and unsubordinated indebtedness.

OUTLOOK

Methanol is a global commodity and our earnings are primarily affected by fluctuations in the methanol price, which is directly impacted by the balance of methanol supply and demand. We are entering 2003 in an environment of very tight methanol market conditions and strong pricing.

Methanol Supply

We expect that the methanol market will remain tight and strong pricing will continue during 2003 primarily because there is no new capacity expected to impact the market. In addition, with the market already well balanced, we believe that reduced production from our New Zealand facilities, as a result of the re-determination of the Maui natural gas field, will lead to even tighter market conditions.

We believe that the period of strong prices will extend into 2004. We expect that the Atlas facility, which is due to start production early in the year, will be the first increment of new capacity in 2004. Atlas will provide us with production capacity to replace lost production from our New Zealand facilities. We continue to expect higher-cost North American capacity to shut down. During 2004, we will have certain production rights to Lyondell's 750,000 tonne per year methanol facility in Texas. We expect the NPC methanol facility in Iran to be the second increment of new capacity in 2004.

At December 31, 2002, global methanol capacity was approximately 37 million tonnes. Significant methanol capacity additions that have been completed or that we expect to be completed during the period from 2002 to 2005 are as follows:

(THOUSANDS OF TONNES)	2002	2003	2004	2005
Repsol/YPF (Argentina)	400	—	—	—
Atlas (Methanex/BP)	—	—	1,700	—
NPC (Iran)	—	—	1,000	—
Chile IV (Methanex)	—	—	—	840
SIPC (Saudi Arabia)	—	—	—	1,000

Methanol Demand

Demand growth for methanol for chemical derivatives, which represent approximately 75 percent of global methanol demand, is driven primarily by growth in global gross domestic product and the strength of the global economy. Since 1993, global demand for methanol for chemical derivatives has grown by approximately 5 percent per annum.

MTBE represents the remaining 25 percent of global methanol demand. MTBE is used primarily as a source of octane and as an oxygenate for gasoline. MTBE was developed as a source of octane when unleaded gasolines were introduced. Over the past several years environmental concerns and legislation have also increased demand for MTBE as an oxygenate in gasoline in order to reduce automobile tailpipe emissions. Worldwide methanol demand for MTBE was approximately 7.6 million tonnes in 2002. Approximately one half of methanol demand for MTBE was in the United States and 1.3 million tonnes of this demand was for MTBE consumed in California. In the United States, MTBE's value as an oxygenate became the most significant factor in its use.

Gasoline containing MTBE, which is more easily detectable in water than other gasoline components, has leaked into groundwater principally from underground gasoline storage tanks and has been discharged directly into drinking water reservoirs. Despite the proven air quality benefits of MTBE, California and other states in the United States, as well as the United States federal government, have initiated actions that may limit, or even eliminate, the use of MTBE as a gasoline component in the United States and this is a major issue for our industry. California and New York have both passed legislation banning MTBE effective January 1, 2004. Gasoline producers in California have commenced the process, or have announced their intention, to phase out MTBE. At the United States federal government level there have been proposals to ban MTBE; however, to date, no legislation has been passed. We believe it is likely, however, that over time the demand for methanol for MTBE consumed in the United States will be reduced, or possibly eliminated, as a result of these developments. Limiting or eliminating the use of MTBE in gasoline in California or more broadly in the United States, will reduce demand for MTBE and methanol in the United States and negatively impact the viability of MTBE and methanol plants (such as our Fortier facility) in the United States.

Elsewhere in the world, MTBE continues to be used as a source of octane, but with growing usage for its clean air benefits. We believe the largest potential for MTBE growth is outside the United States. Our belief is based on the actions being taken around the world to reduce lead, benzene and other aromatics content in gasoline and to improve the emissions performance of vehicles generally. Implementation of clean air standards is continuing in Western Europe and in December 2001, the European Union confirmed the suitability and continued use of MTBE as a fuel component. Demand for MTBE in Asia is also increasing as many countries work towards reducing lead and aromatics content in gasoline to improve air quality. Also, we believe that the Middle East represents sizeable incremental demand for MTBE.

Summary

The supply/demand fundamentals are currently very favourable and we believe that we will benefit from a well-balanced market over the next few years. We also believe that these tight market conditions will minimize the impact of the phase out of MTBE by California gasoline producers. The methanol price, however, will ultimately depend on industry operating rates and the strength of global demand. We believe that our excellent financial position and financial flexibility, outstanding global supply network and low cost position will ensure that Methanex continues to be the leader in the methanol industry.

CRITICAL ACCOUNTING POLICIES

We believe the following selected accounting policies and issues are critical to understanding the estimates, assumptions and uncertainties that affect the amounts reported and disclosed in our consolidated financial statements and related notes. See note 1 to our annual consolidated financial statements for a more comprehensive discussion of our significant accounting policies.

Recoverability of Property, Plant and Equipment

Our business is capital intensive and has required, and will continue to require, significant investments in property, plant and equipment. At December 31, 2002, the net book value of our property, plant and equipment was \$980 million. Recoverability of property, plant and equipment is measured by comparing the net book value of an asset to the undiscounted future net cash flows expected to be generated from the asset over its estimated useful life. In cases where the undiscounted expected future cash flows from an asset are less than the net book value of the asset, a write-down is recognized equal to the difference.

We idled our Medicine Hat plant in 2001 for an indeterminate period, as its operating costs were much higher than those of our other facilities. The Medicine Hat facility is being maintained in a position to restart if conditions warrant. The net book value of this plant was \$65 million at December 31, 2002.

As a result of the re-determination of the Maui field there will be a substantial near-term reduction in production from our New Zealand facilities. Natural gas exploration in New Zealand is ongoing and we are continuing to pursue acquisitions of additional gas to supplement the currently contracted gas for the New Zealand plants. However, there can be no assurance that we will be able to secure additional gas on commercially acceptable terms. As at December 31, 2002, the net book value of the New Zealand plants was \$97 million.

A prolonged economic downturn impacting methanol demand, or an increase in supply, could intensify competitive pricing pressure, create an imbalance of industry supply and demand, or otherwise diminish volumes or profits. In addition, sustained high North American natural gas prices could cause the Medicine Hat plant to become uncompetitive. The inability to contract additional natural gas in New Zealand on commercially acceptable terms could reduce the profitability of our New Zealand plants. Such events would impact our estimates of future net cash flows to be generated by our production facilities. Consequently, it is possible that our future operating results could be materially and adversely affected by impairment charges related to the recoverability of our property, plant and equipment.

Site Restoration

As at December 31, 2002, we had accrued \$29 million for obligations for future site restoration costs for those sites where a reasonably definitive estimate of the costs can be made. Inherent uncertainties exist because the restoration activities will take place, for the most part, many years in the future and there may be changes in governmental and environmental regulations, and changes in removal technology and costs. It is difficult to estimate the true costs of these activities as our estimates are based on today's regulations and technology. Because of uncertainties related to estimating future site restoration activities, future costs related to the currently identified sites could differ from the amounts estimated.

Future Income Taxes

Future income tax assets and liabilities are determined using enacted tax rates for the effects of net operating losses and temporary differences between the book and tax bases of assets and liabilities. We record a valuation allowance on future tax assets, when appropriate, to reflect the uncertainty of realization of future tax benefits. In determining the appropriate valuation allowance, certain judgments are made relating to the level of expected future taxable income and to available tax planning strategies and their impact on the utilization of existing loss carryforwards and other income tax deductions. In making this analysis, we consider historical profitability and volatility to assess whether we believe it to be more likely than not that the existing loss carryforwards and other income tax deductions will be utilized to offset future taxable income otherwise calculated. Management routinely reviews these judgments. At December 31, 2002, we had future income tax assets of \$208 million that are substantially offset by a valuation allowance of \$180 million.

SUPPLEMENTAL EARNINGS MEASURES

In addition to providing measures in accordance with Canadian generally accepted accounting principles (GAAP), Methanex presents certain supplemental earnings measures. These are EBITDA and Income before unusual items (after-tax). These measures do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. The supplemental earnings measures are provided to assist readers in evaluating the operating performance of the Company's ongoing business. The supplemental earnings measures should be considered in addition to, and not as a substitute for, operating income, net income, cash flows and other measures of financial performance reported in accordance with GAAP.

EBITDA

This supplemental earnings measure is provided to assist readers in determining the ability of Methanex to generate cash from operations. EBITDA differs from cash flows from operating activities before changes in non-cash working capital and the utilization of prepaid natural gas primarily because it does not include cash flows from interest, income taxes and asset restructuring charges.

Income Before Unusual Items (After-Tax)

This supplemental earnings measure is provided to assist readers in comparing earnings from one period to another without the impact of unusual items that are considered to be non-operational and/or non-recurring. Income before unusual items (after-tax) differs from net income because it does not include the after-tax impact of asset restructuring charges and the site restoration adjustment.

Reconciliation

The following table shows a reconciliation of net income to income before unusual items (after-tax) and to EBITDA:

(\$ MILLIONS)	2002	2001
Net income	26	71
Add (deduct) unusual items:		
Asset restructuring charge	115	11
Site restoration adjustment	(27)	—
Income tax recovery related to the above items	(2)	—
Income before unusual items (after-tax)	112	82
Add (deduct):		
Income tax expense excluding the amount related to unusual items	28	29
Interest expense	29	32
Interest and other income	(10)	(19)
Depreciation and amortization	111	114
EBITDA	270	238

QUARTERLY FINANCIAL DATA (UNAUDITED)

(\$ MILLIONS, EXCEPT PER SHARE AMOUNTS)	DEC. 31	THREE MONTHS ENDED		
		SEP. 30	JUN. 30	MAR. 31
YEAR ENDED DECEMBER 31, 2002				
Revenue	307.0	296.5	223.6	181.7
Net income (loss)	(30.4)	58.5	15.7	(17.4)
Basic net income (loss) per share	(0.24)	0.47	0.12	(0.13)
Diluted net income (loss) per share	(0.24)	0.46	0.12	(0.13)
YEAR ENDED DECEMBER 31, 2001				
Revenue	195.3	239.6	341.1	372.9
Net income (loss)	(13.0)	(24.7)	40.3	68.8
Basic and diluted net income (loss) per share	(0.10)	(0.15)	0.25	0.43

Consolidated Financial Statements

RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and all financial information contained in the annual report are the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, have incorporated estimates based on the best judgment of management.

Management is responsible for the development of internal controls over the reporting process. Management believes that the system of internal controls, review procedures and established policies provide reasonable assurance as to the reliability and relevance of financial reports and the management's discussion and analysis.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and is responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through the Audit, Finance and Risk Committee (the Committee). The Committee consists of four non-management directors, all of whom are independent as defined by the NASDAQ rules. The Committee reviews the consolidated financial statements, annual report, and management's discussion and analysis, and recommends them to the Board for approval. The Committee considers, for review by the Board and approval by the shareholders, the appointment of the external auditors. In addition, the Committee reviews and approves unaudited interim financial statements, news releases on interim financial results, and interim reports to shareholders before their distribution. The Committee meets regularly with management and the Company's auditors, KPMG LLP, Chartered Accountants, to discuss internal controls and significant accounting and financial reporting issues. KPMG have full and unrestricted access to the Committee.

KPMG have provided an independent professional opinion on the fairness, in all material respects, of these consolidated financial statements. Their opinion is included in the annual report.

Brian D. Gregson

Chairman of the Audit,
Finance and Risk Committee

March 7, 2003

Pierre Choquette

President and
Chief Executive Officer

Ian P. Cameron

Senior Vice President, Finance and
Chief Financial Officer

AUDITORS' REPORT TO SHAREHOLDERS

We have audited the consolidated balance sheets of Methanex Corporation as at December 31, 2002 and 2001 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 7, 2003

Consolidated Balance Sheets

(thousands of US dollars)

DECEMBER 31, 2002 AND 2001	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 421,387	\$ 332,129
Receivables (note 2)	201,037	135,219
Inventories	119,125	99,908
Prepaid expenses	12,079	8,685
	753,628	575,941
Property, plant and equipment (note 3)	979,935	1,031,716
Other assets (note 5)	85,748	85,693
	\$ 1,819,311	\$ 1,693,350
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 136,035	\$ 110,281
Current maturities on long-term debt and other long-term liabilities	6,079	154,693
	142,114	264,974
Limited recourse long-term debt (note 6)	97,578	—
Long-term debt (note 7)	449,646	249,535
Other long-term liabilities (note 8)	52,980	78,911
Future income taxes (note 14)	172,915	164,469
Shareholders' equity:		
Capital stock (note 9)	517,210	538,151
Retained earnings	386,868	397,310
	904,078	935,461
	\$ 1,819,311	\$ 1,693,350

Subsequent events (notes 1 (f) and 9 (c))
See accompanying notes to consolidated financial statements.

Approved by the Board:



Brian D. Gregson
Director



Pierre Choquette
Director

Consolidated Statements of Income and Retained Earnings
(thousands of US dollars)

	YEARS ENDED DECEMBER 31, 2002 AND 2001	2002	2001
Revenue	\$ 1,008,792	\$ 1,148,965	
Cost of sales and operating expenses	739,156	910,601	
Depreciation and amortization	111,289	113,719	
Operating income before undernoted items	158,347	124,645	
Interest expense (note 11)	(28,972)	(31,848)	
Interest and other income	10,365	19,028	
Asset restructuring charge (note 12)	(115,387)	(11,060)	
Site restoration adjustment (note 8)	26,972	—	
Income before income taxes	51,325	100,765	
Income tax expense (note 14)	24,911	29,347	
Net income	26,414	71,418	
Retained earnings, beginning of year	397,310	384,832	
Excess of repurchase price over assigned value of common shares (note 9)	(24,349)	(58,940)	
Dividend payments	(12,507)	—	
Retained earnings, end of year	\$ 386,868	\$ 397,310	
Weighted average number of shares outstanding	126,610,754	154,355,808	
Basic and diluted net income per share	\$ 0.21	\$ 0.46	

The number of common shares outstanding at December 31, 2002 was 125,651,639 (December 31, 2001 — 131,167,942)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(thousands of US dollars)

YEARS ENDED DECEMBER 31, 2002 AND 2001	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 26,414	\$ 71,418
Add (deduct):		
Depreciation and amortization	111,289	113,719
Future income taxes	8,446	22,162
Asset restructuring charge	115,387	—
Site restoration adjustment	(26,972)	—
Other	10,030	12,130
Cash flows from operating activities before undenoted changes	244,594	219,429
Refund of income tax deposit	—	66,866
Receivables and accounts payable and accrued liabilities	(33,521)	47,958
Inventories and prepaid expenses	(22,998)	41,158
Utilization of prepaid natural gas	2,034	1,045
	190,109	376,456
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on issue of long-term debt	200,000	—
Repayment of long-term debt	(150,000)	—
Proceeds on issue of limited recourse long-term debt	97,578	—
Financing costs	(11,772)	—
Payment for shares repurchased	(55,974)	(187,620)
Issue of shares on exercise of stock options	10,684	6,428
Dividend payments	(12,507)	—
Repayment of other long-term liabilities	(8,352)	(6,359)
	69,657	(187,551)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Plant and equipment under construction or development	(142,245)	(68,460)
Property, plant and equipment	(17,913)	(22,882)
Accounts payable and accrued liabilities related to capital expenditures	(6,542)	12,137
Other assets	(3,808)	(3,513)
	(170,508)	(82,718)
Increase in cash and cash equivalents	89,258	106,187
Cash and cash equivalents, beginning of year	332,129	225,942
Cash and cash equivalents, end of year	\$ 421,387	\$ 332,129
Supplementary cash flow information:		
Interest paid, net of capitalized interest	\$ 21,641	\$ 29,919
Income taxes paid, net of amounts received	\$ 3,147	\$ (244)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Tabular dollar amounts are shown in thousands of U.S. dollars, except where noted)
Years ended December 31, 2002 and 2001

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada and include the accounts of Methanex Corporation, its subsidiaries and its proportionate share of joint venture revenues, expenses, assets and liabilities. Investments in which the Company does not exercise significant influence are accounted for using the cost method and are included in other assets. All intercompany transactions and balances have been eliminated. Preparation of these consolidated financial statements requires estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Policies requiring significant estimates are described below. Actual results could differ from those estimates.

(b) Reporting currency:

The majority of the Company's business is transacted in U.S. dollars and, accordingly, the consolidated financial statements have been measured and expressed in that currency.

(c) Cash equivalents:

Cash equivalents include securities with maturities of three months or less when purchased.

(d) Receivables:

The Company provides credit to its customers in the normal course of business. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. Credit losses have been minimal and within the range of management's expectations.

(e) Inventories:

Inventories are valued at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value.

(f) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Financing costs incurred during construction are capitalized to the cost of the asset. Depreciation is provided on a straight-line basis, or, in the case of the New Zealand assets, on a unit-of-natural-gas consumption basis, from the commencement of commercial operations in order to amortize the cost of the assets over their estimated useful lives.

The Company reviews the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, a write-down is recognized equal to the difference.

Routine repairs and maintenance costs are charged against current operations. At intervals of three or more years, the Company conducts a shutdown and inspection (turnaround) at its plants to perform necessary repairs and replacements of catalyst. Costs associated with these shutdowns are amortized over the period until the next planned turnaround.

The Company accrues obligations for future site restoration costs where a reasonably definitive estimate of the costs can be made. The costs are recognized on a straight-line basis, or in the case of the New Zealand assets on a unit-of-natural-gas consumption basis, over the estimated useful lives of the assets. The Company reviews and updates the estimate of site restoration costs on a periodic basis.

1. Significant accounting policies (continued):

(f) Property, plant and equipment (continued):

The Maui natural gas field has been the primary gas supply source for the Company's New Zealand operations. A contractual process was initiated in December 2001 to re-determine the economically recoverable natural gas reserves in the Maui field. On February 6, 2003, the independent expert, who was appointed by the parties to the Maui gas contract, released a final determination of economically recoverable reserves and based on this report, the Company will lose substantially all of its remaining contractual entitlements from the Maui field. As at February 6, 2003, after considering the impact of the determination, the Company has sufficient contracted gas entitlements to produce approximately 800,000 tonnes of methanol at the New Zealand facilities. Natural gas exploration in New Zealand is ongoing and the Company is continuing to pursue acquisitions of additional gas to supplement the contracted gas. However, there can be no assurance that the Company will be able to secure additional gas on commercially acceptable terms and that the New Zealand operations will generate sufficient cash to recover their carrying value.

(g) Interest in Atlas joint venture:

The Company's interest in the Atlas joint venture is accounted for using the proportionate consolidation method. Under this method, the Company's proportionate share of joint venture revenues, expenses, assets and liabilities are included in the consolidated financial statements.

(h) Other assets:

Other assets are recorded at cost. Amortization is provided for other assets, except long-term investments, on an appropriate basis to charge the cost of the assets against earnings as used.

(i) Employee future benefits:

Accrued pension benefit obligations and related expenses for defined benefit pension plans are determined using current market bond yields to measure the accrued pension benefit obligation. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized on a straight-line basis over the estimated average remaining service lifetime of the employee group. Gains or losses arising from plan curtailments and settlements are recognized in the year in which they occur.

The cost for defined contribution benefit plans is expensed as earned by the employees.

(j) Net income per share:

The Company calculates basic earnings per share by dividing net income for the period by the weighted average number of outstanding common shares and calculates diluted earnings per share under the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive stock options are applied to repurchase common shares at the average market price for the period.

A reconciliation of the weighted average number of common shares is as follows:

	2002	2001
Denominator for basic net income per share	126,610,754	154,355,808
Effect of dilutive stock options	2,191,220	1,609,485
Denominator for diluted net income per share	128,801,974	155,965,293

1. Significant accounting policies (continued):

(k) Stock option plan:

The Company has a stock option plan that is described in note 10. Effective January 1, 2002, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the accounting for stock-based compensation and other stock-based payments. The new recommendations require equity instruments awarded to employees and the cost of the service received as consideration to be measured and recognized based on an estimate of the fair value of the equity instruments issued. Compensation expense is recognized over the period of related employee service, usually the vesting period of the equity instrument awarded. The new recommendations permit the measurement of compensation expense for stock option grants to employees and directors that are not direct awards of stock, stock appreciation rights or otherwise call for settlement in cash or other assets by a method other than a fair value based method and to provide pro forma disclosure of the financial results as if a fair value based method had been used.

The Company has elected to continue with the former accounting policy of recognizing no compensation expense when stock options are granted and to provide pro forma disclosure as if a fair value based method had been used. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. The pro forma fair value disclosures are provided in note 10(c). Any consideration received on the exercise of stock options is credited to share capital.

(l) Deferred share units:

Directors and executive officers of the Company may elect to receive some elements of their compensation in the form of grants of notional Deferred Share Units (Units). The number of Units allotted is determined by the amount of compensation elected to be invested in the Units divided by the market value of the Company's common shares at the time the compensation is earned. These Units are redeemable for cash based on the market value of the Company's common shares. The amounts invested in the Units and changes in the fair value of the Units are included in earnings.

(m) Revenue recognition:

Revenue is generally recognized as risk and title to the product transfers to the customer, which usually occurs at the time shipment is made.

(n) Foreign currency translation:

The Company translates foreign currency denominated monetary items at the rates of exchange prevailing at the balance sheet dates and revenues and expenditures at average rates of exchange during the year. Foreign exchange gains or losses are included in earnings.

(o) Financial instruments:

A substantial portion of the Company's business is transacted in its reporting currency, the U.S. dollar. At the Company's Canadian, New Zealand and Chilean production facilities, certain of the underlying operating costs and capital expenditures are incurred in currencies other than the U.S. dollar. The Company uses derivative financial instruments to reduce its exposure to fluctuations in foreign exchange on certain committed and anticipated costs to contribute to achieving cost structure and revenue targets. In addition, certain revenues in Europe are realized in the Euro or the British pound. From time to time the Company uses natural gas financial instruments to fix the price of a portion of its natural gas exposures. The Company does not utilize derivative financial instruments for trading or speculative purposes.

1. Significant accounting policies (continued):

(o) Financial instruments (continued):

The Company formally documents all relationships between derivative financial instruments and hedged items, as well as the risk management objective and strategy. The Company assesses, on an ongoing basis, whether the derivative financial instruments continue to be effective in offsetting changes in fair values or cash flows of the hedged transactions.

Foreign exchange translation gains and losses on foreign currency denominated derivative financial instruments used to hedge anticipated or committed U.S. dollar denominated exposures are recognized, together with the forward premium or discount, as an adjustment to the related operating costs, revenue or capital expenditures when the hedged transaction is recorded.

Gains and losses on natural gas financial instruments used to hedge natural gas exposures are recognized as an adjustment to the related hedged transaction when realized.

Premiums paid or received with respect to derivative financial instruments are deferred and amortized to income over the effective period of the contracts.

(p) Income taxes:

Future income taxes are accounted for using the asset and liability method. The asset and liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates which are expected to be in effect when the underlying items of income and expense are expected to be realized. The effect of a change in tax rates is recognized in the period of substantive enactment. Future tax benefits, such as non-capital loss carryforwards, are recognized to the extent that realization of such benefits is considered to be more likely than not.

The Company does not accrue for taxes that will be incurred upon distributions from its subsidiaries unless it is probable that the earnings will be repatriated.

2. Receivables:

	2002	2001
Trade	\$ 169,228	\$ 101,653
Other	31,809	33,566
	\$ 201,037	\$ 135,219

3. Property, plant and equipment:

	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
December 31, 2002			
Plant and equipment	\$ 2,111,575	\$ 1,363,277	\$ 748,298
Plant and equipment under construction or development	210,705	—	210,705
Other	41,548	20,616	20,932
	\$ 2,363,828	\$ 1,383,893	\$ 979,935
December 31, 2001			
Plant and equipment	\$ 2,123,853	\$ 1,179,372	\$ 944,481
Plant and equipment under construction or development	68,460	—	68,460
Other	35,253	16,478	18,775
	\$ 2,227,566	\$ 1,195,850	\$ 1,031,716

Included in property, plant and equipment is the idled Medicine Hat Plant 3 which is being maintained in a position to restart if conditions warrant. At December 31, 2002, this facility had a net book value of \$64.8 million (2001 — \$76.0 million).

4. Interest in Atlas joint venture:

The Company has a 63.1% joint venture interest in Atlas Methanol Company ("Atlas"). The joint venture is constructing a 1.7 million tonne per year methanol plant in Trinidad. Construction is expected to be completed in early 2004.

These consolidated financial statements include the following amounts representing the Company's interest in the Atlas joint venture:

	2002	2001
Consolidated Balance Sheets		
Cash and cash equivalents	\$ 7,168	\$ 1,343
Other current assets	1,349	652
Property, plant and equipment	161,808	63,131
Other assets	5,996	—
Current liabilities	3,847	7,690
Limited recourse long-term debt (note 6)	97,578	—
Consolidated Statements of Cash Flows		
Cash inflows from financing activities	91,582	—
Cash outflows from investing activities	102,520	55,441

To December 31, 2002, the joint venture had no revenue and all expenditures were capitalized.

5. Other assets:

	2002	2001
Marketing rights		
North America	\$ 6,635	\$ 9,922
Caribbean	19,907	22,638
Europe	8,340	9,341
	34,882	41,901
Deferred financing costs	13,159	3,166
Natural gas prepayments	10,464	12,498
Investments, at cost	13,342	13,342
Other	13,901	14,786
	\$ 85,748	\$ 85,693

6. Limited recourse long-term debt:

These consolidated financial statements include the Company's proportionate share of limited recourse long-term debt of the Atlas joint venture. These loans are described as limited recourse as they are secured only by the assets of the Atlas joint venture. The Company's proportionate share of the total limited recourse facility is \$159 million and the facility will be utilized to fund the construction of Atlas pro rata with equity contributions.

The terms of the limited recourse long-term debt facilities and the Company's proportionate share of the limited recourse long-term debt issued as at December 31, 2002 are as follows:

	2002
Senior commercial bank loan facility to a maximum amount of \$72 million with interest rates based on LIBOR plus a spread ranging from 2.25% to 2.75%. Principal will be paid in twelve semi-annual payments commencing six months after the earlier of completion of construction and December 31, 2004.	\$ 43,513
Senior secured notes to a maximum amount of \$63 million bearing an interest rate based on the yield to maturity on a ten-year U.S. treasury security plus 3.85% with semi-annual interest payments. Principal will be paid in nine semi-annual payments commencing six years after the earlier of completion of construction and December 31, 2004.	38,432
Senior fixed rate bonds to a maximum amount of \$15 million bearing an interest rate of 8.25% with semi-annual interest payments. Principal will be paid in four semi-annual payments commencing eleven years after the earlier of completion of construction and December 31, 2004.	9,825
Subordinated loans to a maximum amount of \$9 million with an interest rate based on LIBOR plus a spread ranging from 2.25% to 2.75%. Principal will be paid in twenty semi-annual payments commencing six years after the earlier of completion of construction and December 31, 2004.	5,808
	\$ 97,578

7. Long-term debt:

	2002	2001
7.75% unsecured notes due August 15, 2005 (effective yield 7.83%)	\$ 249,646	\$ 249,535
8.75% unsecured notes due August 15, 2012 (effective yield 8.75%)	200,000	—
7.40% unsecured notes due August 15, 2002 (effective yield 7.49%)	—	149,909
	449,646	399,444
Less current maturities	—	(149,909)
	\$ 449,646	\$ 249,535

The Company has available an unsecured revolving bank facility of \$291 million that expires in January 2004. This facility ranks *pari passu* with the unsecured notes.

8. Other long-term liabilities:

	2002	2001
Site restoration	\$ 28,879	\$ 55,851
Fortier asset restructuring	10,230	7,455
Saturn acquisition	4,903	7,329
Other	15,047	13,060
	59,059	83,695
Less current maturities	(6,079)	(4,784)
	\$ 52,980	\$ 78,911

The Company has accrued \$28.9 million (2001 — \$55.9 million) for obligations for future site restoration costs for those sites where a reasonably definitive estimate of the costs can be made. During 2002, after completing a comprehensive review and analysis to update the previous estimate, the Company recorded a \$27 million reduction in the accrual for site restoration for the New Zealand facility. There were no cash expenditures in 2002 or 2001 relating to site restoration costs and there are no significant cash expenditures expected for 2003. Because of uncertainties related to estimating future site restoration activities, future costs related to the currently identified sites could differ from the amounts estimated.

9. Capital stock:

- (a) The authorized share capital of the Company is comprised as follows:
25,000,000 preferred shares without nominal or par value; and
Unlimited number of common shares without nominal or par value.
- (b) Under a covenant set out in the indenture to the 7.75% notes due August 15, 2005, the Company can pay cash dividends or make other shareholder distributions to the extent that shareholders' equity is equal to or greater than \$850 million, after giving effect to such distribution. The Company can also declare and pay up to \$30 million of dividends in any twelve-month period while shareholders' equity is less than \$850 million.
- (c) Changes in the capital stock of the Company during the period January 1, 2001 to December 31, 2002 were as follows:

	NUMBER OF COMMON SHARES	CONSIDERATION
Balance, December 31, 2000	160,793,216	\$ 660,403
Issued on exercise of stock options	1,739,675	6,428
Shares repurchased	(31,364,949)	(128,680)
Balance, December 31, 2001	131,167,942	\$ 538,151
Issued on exercise of stock options	2,191,697	10,684
Shares repurchased	(7,708,000)	(31,625)
Balance, December 31, 2002	125,651,639	\$ 517,210

During 2001 and 2002, the Company repurchased for cancellation, common shares at prices in excess of their assigned value. The cost to acquire the shares in the amount of \$56.0 million (2001 — \$187.6 million) was allocated \$31.6 million (2001 — \$128.7 million) to capital stock and \$24.4 million (2001 — \$58.9 million) to retained earnings.

On February 14, 2003, the Company paid a special dividend of \$0.25 per share, or approximately \$31 million.

10. Stock option plan:

There are two types of options granted under the plan: incentive stock options and performance stock options. At December 31, 2002, the Company had 2.0 million common shares reserved for future stock option grants to its directors and employees under the Company's stock option plan.

(a) Incentive stock options:

The exercise price of each incentive stock option is equal to the quoted market price of the Company's common shares at the date of the grant. An option's maximum term is ten years; one-half of the options vest one year after the date of the grant, with a further vesting of one-quarter of the options per year over the subsequent two years.

10. Stock option plan (continued):

(a) Incentive stock options (continued):

Common shares reserved for outstanding incentive stock options at December 31, 2002 and 2001 are as follows:

	OPTIONS DENOMINATED IN CAD \$			OPTIONS DENOMINATED IN US \$		
	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE		NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	
Outstanding at December 31, 2000	8,048,525	\$ 9.52		—	\$ —	—
Granted	2,963,900	9.56		—	—	—
Exercised	(1,739,675)	5.72		—	—	—
Cancelled	(582,000)	12.48		—	—	—
Outstanding at December 31, 2001	8,690,750	\$ 10.09		—	\$ —	—
Granted	—	—		2,474,000	6.47	
Exercised	(1,728,897)	8.37		—	—	—
Cancelled	(113,525)	9.85		(42,000)	6.45	
Outstanding at December 31, 2002	6,848,328	\$ 10.53		2,432,000	\$ 6.47	

RANGE OF EXERCISE PRICES	STOCK OPTIONS OUTSTANDING AT DECEMBER 31, 2002			STOCK OPTIONS EXERCISABLE AT DECEMBER 31, 2002		
	NUMBER OF STOCK OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF STOCK OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE	
Options denominated in CAD \$						
\$ 2.93 to 5.85	893,778	6.9	\$ 4.00	470,091	\$ 4.65	
8.25 to 14.63	5,754,550	5.3	11.08	4,315,475	11.59	
23.75	200,000	1.8	23.75	200,000	23.75	
	6,848,328	5.4	\$ 10.53	4,985,566	\$ 11.42	
Options denominated in US \$						
\$ 6.45 to 8.79	2,432,000	9.2	\$ 6.47	—	\$ —	—

(b) Performance stock options:

	NUMBER OF STOCK OPTIONS	AVERAGE EXERCISE PRICE (CAD \$)
Outstanding at December 31, 2000	2,200,000	\$ 4.47
Cancelled	(75,000)	4.47
Outstanding at December 31, 2001	2,125,000	\$ 4.47
Exercised	(462,800)	4.47
Outstanding at December 31, 2002	1,662,200	\$ 4.47

10. Stock option plan (continued):

(b) Performance stock options (continued):

The vesting of the performance stock options is tied to the market value of the Company's common shares subsequent to the date of grant. The performance stock options expire September 9, 2009. After September 30, 2002, approximately one-third of the options vest if the common shares have traded at or above CAD \$10 per share subsequent to the date of grant; a further one-third vest if the common shares have traded at or above CAD \$15 per share subsequent to the date of grant and the options are fully vested if the common shares have traded at or above CAD \$20 per share subsequent to the date of grant. On October 1, 2002, 699,000 options vested and became exercisable as the common shares had traded above CAD \$10 per share subsequent to the date of grant. As at December 31, 2002, 236,200 outstanding performance stock options had vested and were exercisable at a price of CAD \$4.47.

(c) Fair value method disclosure:

If the fair value based method, as described in note 1(k), had been used to measure and recognize stock-based compensation, the Company's net income and net income per share for the year ended December 31, 2002 would have been as follows:

	2002
Net income — as reported	26,414
Net income — pro forma	22,970
Net income per share — as reported	0.21
Net income per share — pro forma	0.18

The pro forma amounts exclude the effect of stock options granted prior to January 1, 2002. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 5%, dividend yield of 0%, expected life of 5 years, and volatility of 35%.

The weighted average fair value of stock options granted during the year ended December 31, 2002 was US \$2.46 per share.

11. Interest expense:

	2002	2001
Interest expense before capitalized interest	\$ 38,314	\$ 32,886
Capitalized interest	(9,342)	(1,038)
Interest expense	\$ 28,972	\$ 31,848

12. Asset restructuring charge:

	2002	2001
Write-down of property, plant and equipment	\$ 108,704	\$ —
Other	6,683	11,060
	\$ 115,387	\$ 11,060

During 2002, the Company recorded an asset restructuring charge related to the write-off of the Fortier, Louisiana methanol facility which has been idled since March 1999.

In 2001, the Company recorded an asset restructuring charge related primarily to employee severance and mothball costs relating to the idling of the Medicine Hat Plant for an indeterminate period.

13. Segmented information:

The Company's operations consist of the production and sale of methanol, which constitutes a single operating segment.

Revenues attributed to geographic regions, based on location of customers, are as follows:

	CANADA	UNITED STATES	JAPAN	OTHER ASIA	EUROPE	LATIN AMERICA	TOTAL
Revenue							
2002	\$ 39,580	\$ 300,203	\$ 127,107	\$ 240,423	\$ 225,072	\$ 76,407	\$ 1,008,792
2001	70,855	375,061	139,405	219,722	261,677	82,245	1,148,965

Net book value of property, plant and equipment by country is as follows:

	CANADA	UNITED STATES	NEW ZEALAND	CHILE	TRINIDAD	OTHER	TOTAL
Property, plant and equipment							
2002	\$ 72,237	\$ —	\$ 98,833	\$ 612,575	\$ 161,808	\$ 34,482	\$ 979,935
2001	79,531	115,516	128,781	629,765	63,131	14,992	1,031,716

14. Income and other taxes:

(a) Income tax expense differs from the amounts that would be obtained by applying the Canadian statutory income tax rate to the respective year's income before taxes. These differences are as follows:

	2002	2001
Canadian statutory tax rate	40%	45%
Computed 'expected' tax expense	\$ 20,530	\$ 45,344
Increase (decrease) in tax resulting from:		
Income taxed in foreign jurisdictions	(34,254)	(59,090)
Losses not tax-effected	76,502	50,285
Benefits of previously unrecognized loss carryforwards and temporary differences	(22,876)	(12,020)
Non-taxable income and non-deductible costs	(15,491)	4,328
Large corporation tax	500	500
Total income tax expense	\$ 24,911	\$ 29,347
Income tax expense is represented by:		
Current income tax	\$ 16,465	\$ 7,185
Future income tax	8,446	22,162
	\$ 24,911	\$ 29,347

14. Income and other taxes (continued):

(b) The tax effect of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

	2002	2001
Future tax liabilities		
Property, plant and equipment	\$ 163,427	\$ 204,729
Other	37,989	22,420
	201,416	227,149
Future tax assets		
Non-capital loss carryforwards	156,355	141,967
Property, plant and equipment	29,776	14,262
Other	22,106	28,485
	208,237	184,714
Future tax asset valuation allowance	(179,736)	(122,034)
	28,501	62,680
Net future income tax liability	\$ 172,915	\$ 164,469

(c) At December 31, 2002, the Company had non-capital loss carryforwards available for tax purposes of \$353 million in Canada and the United States and \$26 million in New Zealand. In Canada and the United States these loss carryforwards expire between 2006 and 2021. In New Zealand the loss carryforwards do not have an expiry date.

15. Derivative financial instruments:

The Company's forward exchange contracts in Euros (EUR), British pounds (GBP), New Zealand dollars (NZD) and Canadian dollars (CAD) at December 31, 2002 are as follows:

	NOTIONAL AMOUNT	AVERAGE EXCHANGE RATE	MATURITY
Purchase Contracts			
Forward exchange contracts	NZD 370 million	\$ 0.4956	2003-2004
Forward exchange contracts	EUR 110 million	\$ 0.9995	2005
Forward exchange contracts	CAD 100 million	\$ 0.6714	2003
Sales Contracts			
Forward exchange contracts	EUR 13 million	\$ 0.9727	2003
Forward exchange contracts	GBP 2 million	\$ 1.5465	2003

16. Fair value disclosures:

The carrying value and fair value of the financial instruments are as follows:

	CARRYING VALUE	2002 FAIR VALUE	CARRYING VALUE	2001 FAIR VALUE
Long-term debt	\$ (449,646)	\$ (468,000)	\$ (399,444)	\$ (392,000)
Limited recourse long-term debt	\$ (97,578)	\$ (98,000)	\$ —	\$ —
Derivative financial instruments:				
Forward exchange contracts	\$ —	\$ 1,632	\$ —	\$ (84,453)
Foreign currency options	\$ —	\$ —	\$ 3,806	\$ —

Included in the fair value of the derivative financial instruments referred to in the table above were unrealized losses of \$2.8 million (2001 — \$42.7 million) related to forward exchange contracts and foreign exchange options that hedge anticipated Canadian, New Zealand and Chilean operating costs for which there is not a contractual agreement in place.

The fair value of the Company's long-term debt and limited recourse long-term debt is estimated by reference to current market prices for other debt securities with similar terms and characteristics. The fair value of the Company's forward exchange contracts, currency options and feedstock commodity financial instruments is determined based on quoted market prices received from counterparties. Until settled, the fair value of the derivative financial instruments will fluctuate based on changes in foreign exchange rates. The unrealized gains and losses on these derivative financial instruments will be included in the measurement of the related hedged transaction when realized.

The carrying values of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities, and other long-term liabilities meeting the definition of a financial instrument approximate their fair value.

The Company is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments but does not expect any counterparties to fail to meet their obligations. The Company deals with only highly rated counterparties, normally major financial institutions. The Company is exposed to credit risk when there is a positive fair value of derivative financial instruments at a reporting date. The maximum amount that would be at risk if the counterparties failed completely to perform under the contracts was \$3.4 million at December 31, 2002 (2001 — \$4.8 million).

17. Retirement plans:

The Company has non-contributory defined benefit pension plans covering certain employees. At December 31, 2002, the estimated present value of accrued pension benefits was \$19.2 million (2001 — \$18.0 million) and the market value of the plan's assets was \$17.3 million (2001 — \$15.5 million). The Company also has defined contribution pension plans.

Total pension costs charged to operations during the year were \$5.9 million (2001 — \$6.0 million).

18. Commitments:

(a) The Company has commitments under take-or-pay contracts to purchase annual quantities of feedstock supplies and to pay for transportation capacity related to these supplies. The minimum estimated commitment under these contracts, after reflecting the results of the re-determination of the Maui natural gas field in New Zealand (note 1(f)), for the next five years is as follows:

2003	\$ 143,444
2004	\$ 151,532
2005	\$ 160,435
2006	\$ 163,199
2007	\$ 163,570

(b) The Company has future minimum lease payments under operating leases relating primarily to vessel charter, terminal facilities, office space and equipment for the next five years as follows:

2003	\$ 91,295
2004	\$ 90,141
2005	\$ 88,817
2006	\$ 86,000
2007	\$ 78,104

(c) The Company has commitments to market, for a fee, methanol produced by another methanol producer and the Atlas joint venture through to 2009 and 2018, respectively.

(d) The Company estimates that its remaining share of capital expenditures, excluding capitalized interest, to complete the construction of the Atlas methanol facility in Trinidad and other commitments, will be approximately \$115 million. The Company expects that these expenditures will be funded from cash generated from operations, cash and cash equivalents and the proceeds from the limited recourse debt facilities. At December 31, 2002, the Company estimates its future cash equity contribution to complete the project will be approximately \$50 million.

(e) The Company is currently expanding its methanol production facilities in Chile. The Company estimates that the remaining capital expenditures for this project, excluding capitalized interest, will be approximately \$225 million and will be incurred in 2003 through 2005. The Company expects that these expenditures will be funded from cash generated from operations and cash and cash equivalents.

(f) In 2002, the Company entered into an exclusive agreement with Lyondell Chemical Company to supply Lyondell's methanol feedstock requirements in North America and Europe commencing January 1, 2003. In addition, the Company will acquire Lyondell's customer list and a number of customer contracts in North America for \$10 million, effective January 1, 2004, and the consideration is due in June 2003.

a clear choice methanex
methanol

our facts

Income and Cash Flows from Operating Activities
(millions \$US)

	2002	Q4	Q3	Q2	Q1	2001	2000	1999	1998	1997	1996	1995	1994	1993
Revenue	1,009	307	297	223	182	1,149	1,061	695	721	1,299	945	1,249	1,488	533
Cost of sales and operating expenses	(739)	(208)	(189)	(171)	(171)	(911)	(756)	(689)	(704)	(931)	(734)	(848)	(876)	(439)
Depreciation and amortization	(111)	(26)	(28)	(29)	(28)	(113)	(110)	(112)	(107)	(117)	(114)	(97)	(75)	(58)
Interest expense	(29)	(6)	(10)	(6)	(7)	(32)	(32)	(25)	(22)	(32)	(20)	(32)	(30)	(24)
Interest and other income	9	2	2	3	2	19	16	14	26	34	23	22	5	3
Unusual items, net ¹	(88)	(88)	—	—	—	(11)	—	(69)	—	—	(105)	(39)	—	—
Income tax recovery (expense)	(25)	(11)	(14)	(5)	5	(30)	(34)	36	18	(51)	(3)	(63)	(77)	(5)
NET INCOME (LOSS)	26	(30)	58	15	(17)	71	145	(150)	(68)	202	(8)	192	435	10
Add (deduct):														
Depreciation and amortization	111	26	28	29	28	113	110	112	107	117	114	97	75	58
Future income taxes	8	4	8	(1)	(3)	22	26	(28)	(1)	41	4	27	31	3
Non-cash unusual items ¹	88	88	—	—	—	—	—	69	—	—	105	37	—	—
Other	12	4	3	3	2	13	16	13	10	5	1	7	3	—
CASH FLOWS FROM OPERATING ACTIVITIES²	245	92	97	46	10	219	297	16	48	365	216	360	544	71
Increase (decrease) in cash position	89	133	(153)	154	(45)	106	74	(136)	(204)	108	(16)	208	107	(10)
Operating income	158					125	195	(106)	(90)	251	97	304	537	36
EBITDA³	270					238	305	6	17	368	211	401	612	94

¹ Unusual items, net includes the site restoration adjustment (2002), asset restructuring charges (2002, 2001 and 1999) write-down of property, plant and equipment (1999 and 1996) and debt retirement cost (1995).² Before changes in non-cash working capital and the utilization of prepaid natural gas.³ Excludes unusual items.Consolidated Balance Sheets
(millions \$US)

	2002	Q4	Q3	Q2	Q1	2001	2000	1999	1998	1997	1996	1995	1994	1993
ASSETS														
Cash and cash equivalents	421	421	288	441	287	332	226	152	288	492	384	400	192	85
Receivables	201	201	169	149	117	135	286	227	202	246	208	173	339	85
Inventories	119	119	106	88	91	100	140	73	71	89	68	64	108	39
Prepaid expenses	12	12	16	20	8	9	11	10	9	12	9	13	13	12
Current assets	753	753	579	698	503	576	663	462	570	839	669	650	652	221
Property, plant and equipment	980	980	1,074	1,060	1,038	1,032	1,046	1,114	1,141	1,065	1,021	1,014	975	698
Other assets	86	86	81	86	83	85	94	68	88	69	81	84	61	50
TOTAL ASSETS	1,819	1,819	1,734	1,844	1,624	1,693	1,803	1,644	1,799	1,973	1,771	1,748	1,688	969
LIABILITIES AND SHAREHOLDERS' EQUITY														
Accounts payable and accrued liabilities	135	135	99	106	79	110	132	113	107	188	119	112	246	98
Current maturities	6	6	5	155	154	155	5	10	9	5	5	24	10	32
Current liabilities	141	141	104	261	233	265	137	123	116	193	124	136	256	130
Limited recourse long-term debt	98	98	—	—	—	—	—	—	—	—	—	—	—	—
Long-term debt	450	450	450	450	250	250	399	399	399	398	398	401	398	409
Other long-term liabilities	53	53	75	80	79	79	80	68	50	63	64	30	3	—
Future income taxes	173	173	169	160	162	164	142	98	126	128	73	68	41	10
Total liabilities	915	915	798	951	724	758	758	688	691	782	659	635	698	549
Shareholders' equity	904	904	936	893	900	935	1,045	956	1,108	1,191	1,112	1,113	990	420
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,819	1,819	1,734	1,844	1,624	1,693	1,803	1,644	1,799	1,973	1,771	1,748	1,688	969
Total capitalization	1,452	1,452	1,386	1,493	1,300	1,335	1,444	1,355	1,507	1,589	1,510	1,533	1,398	861

Ratios

(see definitions documented below)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
VALUE										
Year-end share price (US\$)	8.38	5.54	6.44	2.63	5.06	7.93	9.00	7.31	13.00	8.00
Net income (loss) per share	0.21	0.46	0.85	(0.87)	(0.39)	1.10	(0.04)	1.05	2.24	0.06
Adjusted net income (loss) per share ¹	0.89	0.53	0.85	(0.47)	(0.39)	1.10	0.45	1.14	2.20	0.06
Cash flows per share ²	1.93	1.42	1.74	0.09	0.27	1.99	1.14	1.89	2.75	0.41
EBITDA per share	2.13	1.54	1.79	0.03	0.10	2.01	1.12	2.09	3.10	0.55
Book value per share	7.20	7.13	6.50	5.52	6.39	6.79	5.88	5.89	5.08	2.45
Price to earnings (P/E) ³	9.42	10.45	7.57	n.a.	n.a.	7.22	19.88	6.43	5.91	137.38
Price to cash flow	4.34	3.91	3.70	28.30	18.49	3.99	7.86	3.87	4.72	19.29
Price to EBITDA	3.93	3.59	3.59	78.90	52.01	3.96	8.04	3.49	4.20	14.52
Price to book value	1.16	0.78	0.99	0.48	0.79	1.17	1.53	1.24	2.56	3.26
Market value per tonne produced (US\$)	185	185	172	85	187	273	382	345	699	604
Production per share (US gallons)	14.95	11.55	11.73	10.26	8.99	9.65	7.83	7.05	6.18	4.41
LIQUIDITY										
Quick ratio	4.46	1.80	3.81	3.16	4.32	3.89	4.84	4.31	2.13	1.40
Current ratio	5.30	2.17	4.83	3.75	4.93	4.35	5.39	4.78	2.55	1.70
Working capital (\$000s)	611,514	310,967	526,377	339,008	454,497	646,884	544,994	514,221	396,193	91,322
PROFITABILITY										
Return on equity (ROE)	12.2%	8.3%	14.5%	(7.9%)	(6.0%)	17.5%	7.7%	20.4%	53.6%	2.3%
Return on capital employed (ROCE)	9.1%	6.4%	10.7%	(4.3%)	(3.3%)	13.7%	6.4%	16.1%	41.5%	3.1%
DEBT										
Asset coverage	3.32	4.24	4.52	4.12	4.51	4.95	4.45	4.15	4.14	2.20
EBITDA interest coverage	7.04	7.25	9.39	0.14	0.39	10.64	4.39	10.68	14.68	3.04
Debt to capitalization	38%	30%	28%	29%	26%	25%	26%	27%	29%	51%
Debt/tonne of methanol produced (\$)	96	75	66	75	85	78	89	105	113	194
Net debt (\$000s)	125,837	67,315	173,262	247,014	111,024	(93,835)	14,349	21,315	215,576	356,032

Definitions

Current Ratio = Current Assets ÷ Current Liabilities EBITDA Interest Coverage = EBITDA⁴ ÷ Interest Expense⁴ EBITDA⁴ = Net income (loss) before interest expense, interest and other income, income taxes, depreciation and amortization and unusual items Asset Coverage = Total Assets ÷ Long-term Debt Capital Employed = Total Assets – Non-interest bearing liabilities Quick Ratio = (Current Assets – Inventories) ÷ Current Liabilities Debt/Capitalization = Long-term Debt ÷ Total Capitalization ROCE = Net income (loss)⁵ before interest expense after income tax ÷ Average Capital Employed (Capital Employed = Total assets less plant and equipment under construction or development less current non-interest bearing liabilities) ROE = Net income (loss)⁵ ÷ Average Shareholders' Equity Total Capitalization = Long-term Debt (Including Current Portion) + Shareholders' Equity

¹ Excludes unusual items. Unusual items include site restoration adjustment (2002), write-down of property, plant and equipment (1999 and 1996), asset restructuring charge (2002, 2001 and 1999) and debt retirement costs (1995).² Cash flows from operating activities before changes in non-cash working capital and the utilization of prepaid natural gas.³ Calculated as the year end share price divided by adjusted net income (loss) per share.⁴ Includes capitalized interest.

Note: Book value per share is based on period ended shares outstanding, all other per share amounts are based

Methanex Sales & Marketing Statistics

Methanex Production & Sales Statistics

Global Market Position (thousands of tonnes)

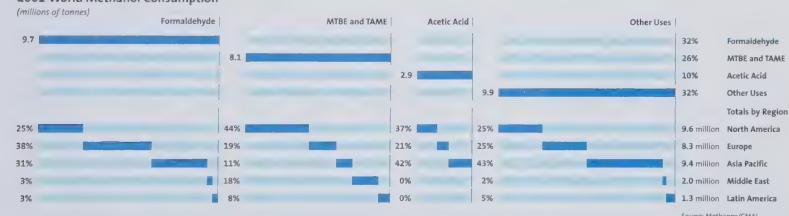
	SALES VOLUME BY REGION	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Europe	1,983	1,923	1,418	1,359	1,263	1,537	1,292	1,139	905	864	
North America	2,477	2,857	2,479	2,480	2,267	2,271	2,185	1,958	2,227	722	
Asia Pacific	2,316	2,165	2,390	2,288	2,100	2,368	1,945	1,609	1,288	1,275	
Latin America	444	445	484	466	381	727	715	615	454	149	
Total Sales	7,220	7,390	6,771	6,593	6,011	6,903	6,137	5,321	4,874	3,010	
Sales of Methanex production	5,686	5,390	5,815	5,338	4,479	5,049	4,580	3,939	3,403	2,264	
Sales of Methanex purchased product ¹	1,534	2,000	956	1,255	1,532	1,854	1,557	1,382	1,471	746	
Total world production (Source: Methanex/CMAI)	30,595	30,171	29,420	27,100	26,154	25,913	24,718	23,151	21,973	20,321	

Supply – Methanol Capacity Additions (thousands of tonnes)

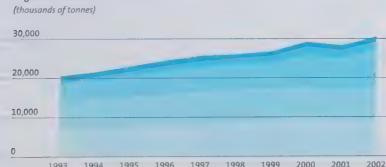
START-UP	CAPACITY
2003	—
2004	Q1 1,700 (Atlas, Trinidad) 2004 Unknown 1,000 (NPC, Iran)
2004	—

Note: Included in this table are only those significant projects known to Methanex to be completed by the end of 2004.

2002 World Methanol Consumption (millions of tonnes)



Regional Demand Growth 1993-2002 (thousands of tonnes)



Region	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
North America	31%	27%	31%	31%	30%	31%	31%	31%	31%	31%
Europe	32%	1.6%	3.0%	3.1%	4.0%	-0.4%	0.5%	0.5%	0.5%	0.5%
Asia Pacific	31%	31%	31%	31%	31%	31%	31%	31%	31%	31%
Middle East	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Latin America	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

¹ Includes commission sales volumes

Methanol Production Data (thousands of tonnes)

PLANT DATA	OPERATING CAPACITY ¹	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
CHILE	925	895	878	873	684	656	766	853	841	874	807
Chile I	1,010	997	841	1,022	995	1,044	869	14	—	—	—
Chile II	1,065	1,040	1,064	1,017	630	—	—	—	—	—	—
Chile III	3,000	2,932	2,783	2,912	2,309	1,700	1,635	867	841	874	807
NEW ZEALAND											
Waitara	530	467	406	525	536	435	510	549	523	501	533
Motunui DII	500	460	363	400	466	329	401	371	371	456	249
Motunui DIII	700	697	685	702	548	619	560	529	430	19	—
Motunui DIV	700	657	679	693	513	405	434	397	51	—	—
	2,430	2,281	2,133	2,410	2,063	1,788	1,905	1,846	1,375	976	782
NORTH AMERICA											
Medicine Hat, Alberta ²	—	—	—	—	36	167	182	219	230	239	—
Medicine Hat ³	—	—	—	—	—	—	93	244	215	262	—
Medicine Hat ³	470	—	195	442	421	415	481	584	528	538	—
Kittanning, British Columbia	500	478	250	243	468	407	480	436	409	498	521
Fortier, Louisiana ⁴	570	—	—	—	46	213	316	248	314	100	—
Enron, Texas ⁵	—	—	—	—	—	—	11	94	135	160	—
	1,540	478	445	685	971	1,202	1,552	1,742	1,790	1,772	681
Total Methanol Production	5,691	5,361	6,007	5,343	4,690	5,092	4,455	4,006	3,622	2,270	
Capacity ⁶	5,930	5,915	6,150	6,424	5,885	6,190	5,400	5,400	4,973	3,855	
Methanol Equivalent Capacity Utilization ⁷	96%	91%	98%	83%	80%	83%	91%	86%	94%	98%	
Number of Employees	824	792	846	812	871	841	881	876	820	616	
Lost-Time Incidents	2	2	4	7	7	1	5	2	1	2	
Productivity (thousands of tonnes/employee)	6.91	6.77	7.10	6.58	5.38	6.05	5.06	4.57	4.42	3.69	

Sales of Purchased Product (thousands of tonnes)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Leuna, Germany	—	—	—	—	—	120	323	350	380	348
Fortier	—	—	16	64	136	67	95	83	—	—
Texaco	—	—	—	—	—	—	62	226	165	172
CMC, Trinidad ⁸	226	478	437	497	459	416	453	484	536	24
Titan, Trinidad ²	725	720	142	—	—	—	—	—	—	—
YPF, Argentina	16	—	—	—	—	—	—	—	—	—
Other (US & Europe)	567	802	377	742	1,009	1,182	652	227	357	202
Total purchased product	1,534	2,000	956	1,255	1,532	1,854	1,557	1,382	1,471	746

1. The agreement to market methanol from the CMC facility ended in April 2002.

2. Product from the Titan facility is sold on a commission basis. Gross sales are not included in Methanex revenues.

Simplified Process Flowchart



Methanex Stock Trading History

Methanol – General Information

Common Share Data

(millions of shares except where noted)

	2002	Q4	Q3	Q2	Q1	2001	2000	1999	1998	1997	1996	1995	1994	1993
Net income (loss) per share	0.21	(0.24)	0.47	0.12	(0.13)	0.46	0.85	(0.87)	(0.39)	1.10	(0.04)	1.95	2.24	0.06
Adjusted net income (loss) per share (US\$) ¹	0.89	0.44	0.47	0.12	(0.13)	0.53	0.85	(0.47)	(0.39)	1.10	0.45	1.14	2.20	0.06
Weighted average shares outstanding	126.6	125.2	124.7	127.0	129.6	154.4	170.3	173.2	174.7	183.8	189.0	190.3	187.5	170.5
Period end shares outstanding	125.7	125.7	124.6	125.7	128.5	131.2	160.8	173.1	173.5	175.6	189.1	189.0	194.8	171.3
Canadian trading volume	95.8	26.4	20.5	26.6	22.3	157.3	148.3	70.9	81.4	107.7	131.0	266.1	277.2	57.7
US trading volume	53.0	13.3	7.8	14.5	17.4	166.6	110.9	9.2	15.7	23.1	43.5	154.9	266.3	13.6
Total trading volume	148.8	39.7	28.3	41.0	39.7	326.0	259.2	80.1	97.1	130.8	174.5	421.0	543.5	71.3
NOVA ownership	46.9	46.9	46.9	46.9	46.9	46.9	46.9	46.9	46.9	46.9	46.9	46.9	46.9	0.0
Remaining public float	78.8	78.7	77.7	78.8	81.4	84.3	113.9	126.2	126.5	128.6	142.2	142.1	147.9	171.3
Trading as a % of public float	18%	51%	36%	52%	49%	38%	22%	49%	37%	22%	102%	123%	296%	368%
Average share price (C\$)	11.96	13.23	12.33	12.35	9.92	9.77	5.43	5.07	10.73	12.56	10.84	12.35	17.32	9.40
Average share price (US\$)	7.62	8.42	7.88	7.94	6.22	6.33	3.67	3.37	7.24	9.04	7.91	8.93	12.70	7.23
Closing share price (C\$)	13.30	13.30	13.61	12.53	11.78	8.82	9.65	3.95	8.00	11.35	12.45	10.00	18.25	10.38
Closing share price (US\$)	8.38	8.38	8.57	8.26	7.41	5.54	6.44	2.63	5.06	7.93	9.00	7.31	13.00	8.00
Market capitalization (millions C\$)	1,671	1,671	1,696	1,575	1,511	1,157	1,552	684	1,327	1,993	2,355	1,890	3,555	1,777
Market capitalization (millions US\$)	1,053	1,053	1,068	1,038	951	727	1,035	455	878	1,392	1,702	1,382	2,532	1,370

¹ Excludes site restoration adjustment (2002), asset restructuring charge (2002, 2000 and 1999) and debt retirement costs (1999)

Price & Volume History: Canadian Market (TSX) — trading symbol: MX



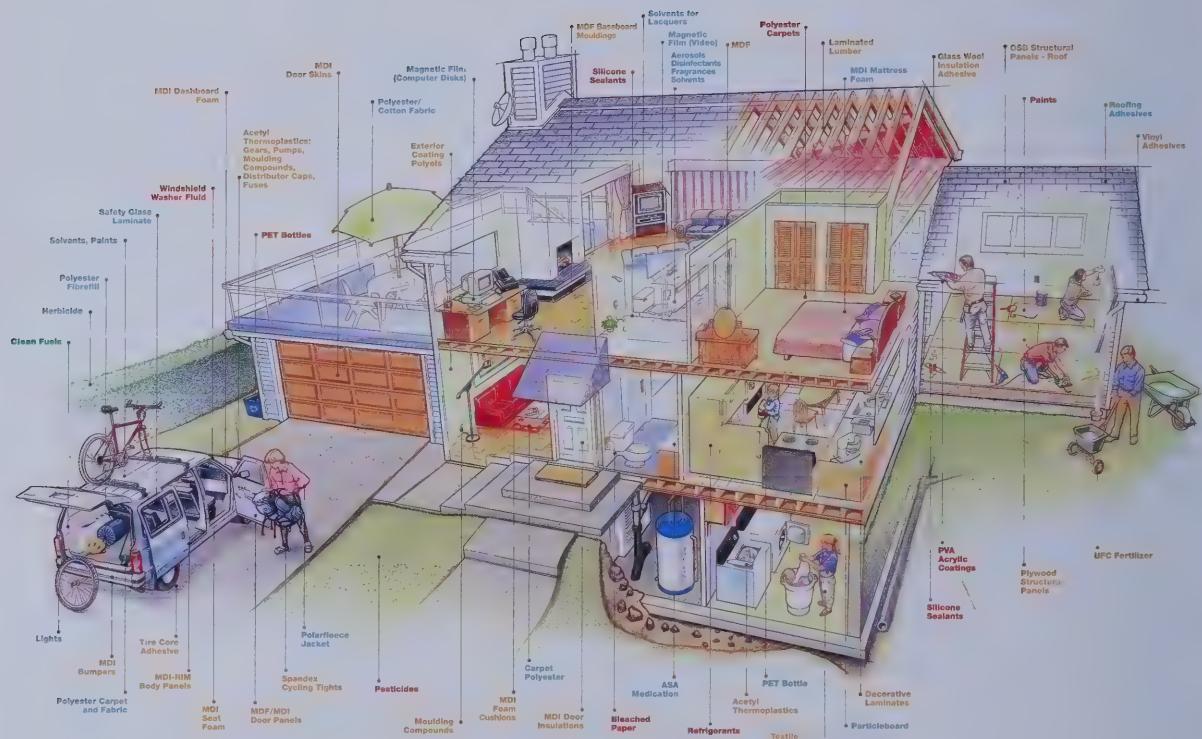
Price & Volume History: US Market (Nasdaq) — trading symbol: MEOH



MX Performance Relative to S&P/TSX Composite Index and S&P Chemical Composite Index



Methanol in Our Lives



PRIMARY DERIVATIVES

DERIVATIVES

DIVERSE DEMAND DRIVERS

■ FORMALDEHYDE

Urea formaldehyde
Phenol formaldehyde
1,4-butanediol
Acetal resins
MDI

renovation, new building activity, automobile production
panelboard substitution for solid wood
changing wood panel mix
growth in high technology chemicals

■ ACETIC ACID

VAM
Acetic anhydride
Terephthalic acid
Solvent acetate
Solvent esters

building activity, durables output, automobile production
clean air legislation (VOCs, HAPs)
packaging trends, growth in plastic recycling
paints and coatings

■ MTBE AND FUELS

Reformulated Gasoline (RFG)
Oxygenated Fuels
MEG (Methanol/Ethanol/Gasoline)
M85/M100

demand for better health, environment
clean air legislation (VOCs, TAPs)
displacement of lead, aromatics
relative octane economics

■ OTHER

Methyl methacrylate
Methylamines
Chromomethanes
Direct use

total chemical production
general economic activity
alternative fuel developments
environmental pressures

METHANEX CORPORATION is the global leader in methanol production and marketing. Methanol is typically produced from natural gas and is a basic chemical building block. It is used to produce formaldehyde, acetic acid and a variety of other chemical intermediates. These derivatives are ultimately used in the manufacture of countless products that we find in our everyday lives, including: resins, adhesives, paints, inks, foams, silicones, plastic bottles, polyester, solvents, Spandex and windshield washer fluid. A significant amount of methanol is also used to make MTBE (methyl tertiary butyl ether), an additive used in cleaner-burning gasoline. Methanol is also widely considered to be a leading fuel candidate for many fuel cell applications.

Our plants are located in Chile, New Zealand, Canada and the United States. We source additional methanol through agreements to market production from plants located in other regions of the world, and also through spot market purchases. Our extensive global marketing and distribution system makes us the largest supplier of methanol to each of the major international markets. In 2002, our sales accounted for roughly 24% of the total world market for methanol.

Board of Directors **Jeffrey Lipton** Chairman; President and Chief Executive Officer of NOVA Chemicals Corporation, Board member since 1994 **Pierre Choquette** President and Chief Executive Officer of Methanex Corporation, Board member since 1994 **Robert Findlay** Corporate Director; Previously was President and Chief Executive Officer of MacMillan Bloedel Limited, Board member since 1994 **Brian Gregson** Corporate Director; Previously was Chairman of Barbican Properties Inc., Board member since 1994 **R.J. (Jack) Lawrence** Chairman of Lawrence & Company, Board member since 1995 **David Morton** Corporate Director; Previously was Chairman of Alcan Aluminium Limited, Board member since 1995 **Christopher Pappas** Senior Vice President and President, Styrenics of NOVA Chemicals Corporation, Board member since 2002 **A. Terence Poole** Executive Vice President, Corporate Strategy and Development of NOVA Chemicals Corporation, Board member since 1994 **Graham Sweeney** Corporate Director; Previously was President and Chief Executive Officer of Dow Chemical Canada Inc., Board member since 1994 **Anne Wexler** Chairman of the Executive Committee of Wexler & Walker Public Policy Associates, Board member since 2001 **Executive Leadership Team** **Pierre Choquette** President and Chief Executive Officer **Bruce Aitken** Senior Vice President, Asia Pacific **Ian Cameron** Senior Vice President, Finance and Chief Financial Officer **Gerry Duffy** Senior Vice President, Global Marketing and Logistics **Jim Emmerton** Senior Vice President, Corporate Development **John Gordon** Senior Vice President, Corporate Resources **Rodolfo Krause** Senior Vice President, Latin America and Global Manufacturing **Michael Macdonald** Senior Vice President, Technology **Randy Milner** Senior Vice President, General Counsel and Corporate Secretary

Head Office Methanex Corporation
1800 Waterfront Centre 200 Burrard Street
Vancouver, BC V6C 3M1
tel 604 661 2600 fax 604 661 2676

Toll Free 1 800 661 8851 within North America

Web Site www.methanex.com

E-mail Investor inquiries: invest@methanex.com
Sales inquiries: sales@methanex.com

Transfer Agent CIBC Mellon Trust acts as transfer agent and registrar for Methanex stock and maintains all primary shareholder records. All inquiries regarding share transfer requirements, lost certificates, changes of address, or the elimination of duplicate mailings should be directed to CIBC Mellon Trust at:

1 800 387 0825 Toll Free within North America

Investor Relations Inquiries Chris Cook, Director,
Investor Relations – telephone 604 661 2600

Annual General Meeting The Annual General Meeting will be held at the Vancouver Convention & Exhibition Centre in Vancouver, British Columbia on Thursday, May 22, 2003 at 10:30 AM.

Shares Listed Toronto Stock Exchange – MX
Nasdaq National Market – MEOH

Annual Information Form ("AIF") The corporation's AIF can be found online at www.sedar.com. A copy of the AIF can also be obtained by contacting our head office.



Printed in Canada.
Please recycle.

Board of Directors **Jeffrey Lipton** Chairman; President and Chief Executive Officer of NOVA Chemicals Corporation, Board member since 1994 **Pierre Choquette** President and Chief Executive Officer of Methanex Corporation, Board member since 1994 **Robert Findlay** Corporate Director; Previously was President and Chief Executive Officer of MacMillan Bloedel Limited, Board member since 1994 **Brian Gregson** Corporate Director; Previously was Chairman of Barbican Properties Inc., Board member since 1994 **R.J. (Jack) Lawrence** Chairman of Lawrence & Company, Board member since 1995 **David Morton** Corporate Director; Previously was Chairman of Alcan Aluminum Limited, Board member since 1995 **Christopher Pappas** Senior Vice President and President, Styrenes of NOVA Chemicals Corporation, Board member since 2002 **A. Terence Poole** Executive Vice President, Corporate Strategy and Development of NOVA Chemicals Corporation, Board member since 1994 **Graham Sweeney** Corporate Director; Previously was President and Chief Executive Officer of Dow Chemical Canada Inc., Board member since 1994 **Anne Wexler** Chairman of the Executive Committee of Wexler & Walker Public Policy Associates, Board member since 2001 **Executive Leadership Team** **Pierre Choquette** President and Chief Executive Officer **Bruce Aitken** Senior Vice President, Asia Pacific **Ian Cameron** Senior Vice President, Finance and Chief Financial Officer **Gerry Duffy** Senior Vice President, Global Marketing and Logistics **Jim Emmerton** Senior Vice President, Corporate Development **John Gordon** Senior Vice President, Corporate Resources **Rodolfo Krause** Senior Vice President, Latin America and Global Manufacturing **Michael Macdonald** Senior Vice President, Technology **Randy Milner** Senior Vice President, General Counsel and Corporate Secretary

Head Office Methanex Corporation
1800 Waterfront Centre 200 Burrard Street
Vancouver, BC V6C 3M1
tel 604 661 2600 fax 604 661 2676

Toll Free 1 800 661 8851 within North America

Web Site www.methanex.com

E-mail Investor inquiries: invest@methanex.com
Sales inquiries: sales@methanex.com

Transfer Agent CIBC Mellon Trust acts as transfer agent and registrar for Methanex stock and maintains all primary shareholder records. All inquiries regarding share transfer requirements, lost certificates, changes of address, or the elimination of duplicate mailings should be directed to CIBC Mellon Trust at:
1 800 387 0825 Toll Free within North America

Investor Relations Inquiries Chris Cook, Director,
Investor Relations – telephone 604 661 2600

Annual General Meeting The Annual General Meeting will be held at the Vancouver Convention & Exhibition Centre in Vancouver, British Columbia on Thursday, May 22, 2003 at 10:30 AM.

Shares Listed Toronto Stock Exchange – MX
Nasdaq National Market – MEOH

Annual Information Form ("AIF") The corporation's AIF can be found online at www.sedar.com. A copy of the AIF can also be obtained by contacting our head office.